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flood
trickle
retreat

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HOME COMPUTERS
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Rosamond Lehmann - review by Rachel Billington
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WORLD NEWS Texaco in bid to raise petrol prices

Texaco, the UK's fourth largest petrol retailer, is attempting to raise prices at the pump by an average of 4p per gallon by withdrawing all price support for its dealers, with effect from the start of business next week.

U.S. protests to Seoul

The U.S. protested to South Korea over the rough treatment at Seoul airport of opposition leader Kim Dae-jung, returning to the country after two years in exile. Back Page

Libyan talks hint

Britain is ready to hold talks with Libyan officials as a step towards improving relations, Foreign Secretary Sir Geoffrey Howe said. Page 2

Teachers plan stoppage

Leaders of the National Association of Schoolmasters/Union of Women Teachers plan to call a national half-day strike this month without holding a ballot of members under the terms of the Trade Union Act. Page 4

Bid to delay bus plans

Six members of the House of Commons transport committee are trying to delay the Transport Bill, aimed at deregulating bus services and introducing more competition into local services. Page 2

Inquiry urged on rapist

Labour MP Tom Törnyei urged an inquiry into the circumstances in which rapist James Pollard was freed on parole, only to rape his victim again and murder her. Pollard was jailed for life at Leeds yesterday. Page 2

Police hurt in blast

Three policemen were injured when their patrol car was wrecked by a landmine near Drumore, County Tyrone. Page 2

Wales's plea

Lech Walesa appealed for an accord between rulers and ruled in Poland in the aftermath of the trial of the murderers of pro-Solidarity priest Jerzy Popieluszko. Page 2

Finns return missile

Finland returned the wreckage of a Soviet missile which crashed in a lake near the Soviet border on December 28. Page 2

BUSINESS SUMMARY Pound falls to new low as \$ surges

THE DOLLAR soared to record levels as the pound fell to a new low of \$1.0325 in New York yesterday afternoon.

A growing feeling that recent intervention by European central banks had failed led the dollar to reach new highs against the Deutsche Mark, sterling, French franc, Italian lira and several other currencies.

The dollar closed in London at DM3.2575, up more than a penny on the day and six pence on the week.

High British interest rates enabled the pound to hold up in London, closing at \$1.1105, but later in New York it plunged to an all-time low of \$1.10 before recovering slightly. New tap, Back Page; foreign exchanges, Page 23

TOKYO'S Nikkei-Dow Jones Average share index broke the 12,000 barrier yesterday, boosted by a surge of buying

enthusiasm. The index closed at 12,008.01 after rising 193.38 in three days. Page 23

DUNLOP shareholders voted to delay a decision on a £142m refinancing package, in spite of opposition from BTR, which has made a £33m takeover bid for Dunlop. Back Page

PORT of Southampton has won back its biggest customer, the Trio shipping consortium, following the 13-week dispute which closed the port's container terminals. Page 3

GESTETNER, the office equipment group, is to shed 500 jobs because of falling sales of duplicating machines. Page 4

KUWAIT Investment Office emerged yesterday as the surprise bidder of 12.9 per cent of the equity of Stylo, which earlier this week fought off a tender offer from British Land. Page 20

TALBOT laid off indefinitely 1,000 workers after Iran failed to supply letters of credit to cover purchases of car kits. Page 3

THIRD WORLD textile exporters have set up the International Textiles and Clothing Bureau to fight trade barriers by industrialised nations.

LABOUR Trade Spokesman Bryan Gould attacked the Treasury view that lower pay rises would help create jobs.

BRAZIL's central bank has mounted a rescue of Sul Brasilero, a major financial group. Page 21

TSL Thermal Scientific, which makes vitreous silica for electronic and silicon chips, has recovered from losses of £1m to pre-tax profits of £1.7m for the year to October 31. Its shares rose 39p to 155p. Page 20

HEPWORTH Ceramic has agreed to acquire British Steel's loss making refractories business. Page 20

Lawson's scope for tax cuts diminishes

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

TAX CUTS in next month's Budget are likely to be much smaller than the Treasury had been hoping for, and Mr Nigel Lawson, the Chancellor, has been forced to curtail his ambitions for wide-ranging reform of the indirect tax system.

Treasury estimates suggest the overall scope for tax cuts on March 19 could be as low as £1bn and might even have vanished altogether. This more pessimistic view compares with a fairly relaxed confidence before Christmas that the room for manoeuvre might be between £2bn and £3bn.

Mr Lawson has consistently hoped for at least £1.5bn to show that the Conservative party was carrying out its election pledge to cut the burden of direct taxes. This may still be about the middle of the Treasury's range of estimates, but the chances are growing that the final figure may be less.

The Treasury's internal pre-Budget forecast for the economy is being prepared in a much more cautious mood. This reflects a more pessimistic view about the trend of inflation for the rest of this year, and much more uncertainty about future exchange rates and interest rates.

It also reflects the expectation of considerably higher interest rates for the rest of the year than seemed likely two months ago, and the lower value of the pound, which gives the Treasury a higher priority in the conduct of monetary policy.

The turbulence on financial markets last month and suggestions that the City's confidence in the Government strategy had weakened is a factor as well.

The sharp rise of interest rates last month have probably had little direct impact on the Treasury's latest calculations of the scope for tax cuts. The rise in the dollar will raise the sterling value of North Sea oil revenues, but the higher interest rates and increased Government funding will raise the cost of servicing the national debt.

However, it has become more difficult for the Treasury to predict the level of the dollar over the next 12 months, while the risk of a cut in oil prices has also to be considered.

Budget options also seem to have been sharply constrained by the fear that a big shift of policy might have unpredictable effects on sterling, depending on the mood of the foreign exchange markets at the time.

Therefore it seems likely Mr Lawson will go for a moderate overall tax-cutting package with perhaps some gentle tightening of his public sector borrowing target compared with the £7bn assumed in his Autumn Statement in November.

Earlier ideas that he might be able to make spectacular cuts in personal taxation by shifting the burden to indirect taxes have now been ruled out.

The increased inflationary pressure has also been a factor. Continued on Back Page

Pay cuts: "no spurt to jobs." Page 3; New tap, Back Page

sharp price cuts as fears grew that UK demand would fall this year and that competition from the U.S. and Japan would get tougher.

Before Christmas, Atari, the U.S. company, reduced its best selling model, the 800XL, by £40 to £130 and there are fears that it may cut its prices again to dispose of excess stocks. The Japanese have also cut the price of the MSX family of home computers, which have been widely criticised as too expensive.

Atari, which suspended dealings in its shares on the Unlisted Securities Market on Wednesday earlier reduced its Electron model from £200 to £130 in a bid to clear stocks and generate much-needed cash.

Commodore yesterday made a further 12 staff redundant at its plant in Corby following 114 job losses there last week. The company still employs more than 500 in the UK, where it is to make the Plus/4 for the rest of Europe.

The price cut has caused some confusion because the more powerful Plus/4 now costs less than the older, but very successful, Commodore 64, which sells for about £199.

Commodore halves prices of its top computer

By Jason Crisp

COMMODORE (UK), the home computer maker yesterday halved the price of its top model, the Plus/4, to £150.

The move, made exactly one week after the company said it had no intention of cutting prices, confirms that a fierce price war has broken out in Britain's troubled home computer market.

Commodore's reduction follows recent cuts in the U.S. Earlier this year the company announced a sharp fall in profits on lower sales.

Last month two leading UK home computer companies, Sinclair Research and Acorn, made

HOME COMPUTER PRICE CUTS

	WAS	NOW
Atari 800XL	£170	£130
Sinclair Spectrum Plus	180	130
Acorn Electron	200	130
Commodore Plus/4	300	150
Goldstar MSX	220	199
Mitsubishi MSX	249	225

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S. Wales vote on pit return likely

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE SOUTH WALES area of the National Union of Mineworkers, the most solid supporter of the 11-month pit dispute, may hold the key to ending it.

Next Wednesday a conference of delegates from pits throughout South Wales will discuss the option of returning to work without an agreement, an option favoured by many of the area's lodge officials.

If a vote on this proposition were won, the area leadership would either have to argue the case at a national level or implement the decision in the area, with a devastating effect on the strike nationally.

Lodge meetings over the weekend will also discuss this tactic, in the face of what many activists in the area see as irresistible pressure from below to find a solution to the strike.

However, Mr Arthur Scargill, NUM president, will continue attempts to keep the strike going by creating initiatives for talks. He wrote formally to the NUM yesterday, requesting a meeting—a request which followed Thursday's meeting of the NUM executive and the executive of the pit deputies' union, Naodis, in which a joint plea for negotiations was made.

If that request is rejected—as it almost certainly will be, if couched in the same terms as those announced by Mr Scargill after the executives' meeting—Mr Scargill will approach Mr Pat Lowry, chairman of the Advisory Conciliation and Arbitration Service, to request access to an independent inquiry to "determine the issues at stake" in the dispute.

That is also likely to fail. As would, in practice, the agreement of the Government and the NCB to such an inquiry, and neither are minded to give it.

It is also unlikely that the board's refusal to restart talks will stimulate Naodis into industrial action. Much of the joint executive meeting was spent in fruitless attempts by the NUM to persuade Naodis leaders to pledge industrial action if no talks were agreed. They succeeded only in agreeing a demand for talks without any threats.

The Naodis executive holds Scargill surprise, Page 4

Portable pension moves likely

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT plans to press ahead with its proposals for personal portable pensions, in spite of the doubts of the occupational pensions industry. A detailed scheme is likely to be included in the Bill on the reform of social security in the 1985-86 parliamentary session.

The proposals are likely to be broadly along the lines of those put forward in a consultative document last July by Mr Norman Fowler, Social Services Secretary.

Under this plan employees would be allowed to opt out of an employer's occupational pension scheme and/or the state's earnings-related scheme, and to make their own personal pension arrangements.

The aim is to remove obstacles to job-mobility and to give employees a greater involvement in their savings as part of the overall drive towards increasing individual share-ownership.

Since July the occupational pensions industry, including some life companies and professional advisers, has expressed concern about the impact on the viability of their schemes of large numbers of people opting out to take up portable pensions.

Practical questions have also been raised about the level of employers' contributions to personal pensions, the range of investments permitted to offer such schemes and the possible need for a central clearing-house.

The Department of Health and Social Security appears determined to proceed with its proposals, arguing that these problems can be overcome and that the doubts are exaggerated.

Mr Fowler has long argued that portable pensions are intended only to be another option available to employees alongside existing occupational pension schemes, to which most workers would probably still belong.

Indeed, some ministers say a much greater impact may be made in practice by proposals in the Social Security Bill which has just completed its Commons Committee Stage.

This tries to correct current inequities for those changing jobs by requiring occupational pension schemes to revalue benefits to allow for modest rises in inflation.

There is still, however, no agreement within the actuarial profession over the calculation of transfer values for people moving from one occupational scheme to another, a point raised by several MPs at the Committee Stage.

The Government has repeated its warning that unless agreement is reached before long, it would have to impose its own assessment of how such values should be calculated.

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MARKETS

DOLLAR

New York lunchtime: DM 3.2525
FFr 9.8253
SwFr 2.709
Y260.10

London: DM 3.2575 (3.245)
FFr 9.94 (9.9025)
SwFr 2.775 (2.76)
Y260.65 (260.65)
Dollar Index: 149.3 (149.2)
Tokyo close: Y260.50 (260.15)

U.S. LUNCHEXTIME RATES

Fed Funds: 8 1/4% (same)
3-month Treasury Bills: 8.25% (8.15)
11 3/8% Long Bond: 99 1/2
Yield: 11.28

GOLD

New York: Comex Feb latest \$299.5 (\$299.7)
London: \$299.4 (302)

CONTINENTAL SELLING PRICES: Austria Sch 18; Belgium Fr 25; Denmark Kr 7.25; France Fr 6.00; W. Germany DM 2.20; Italy L1.300; Netherlands Fl 2.50; Norway Kr 6.00; Portugal Esc 75; Spain Ptas 110; Sweden Kr 8.50; Switzerland Fr 2.20; Ireland 80p; Malta 30c.

STERLING

New York 3 pm \$1.10325
London: \$1.1105 (1.1165)
DM 3.615 (3.6225)
FFr 11.04 (1.055)
SwFr 2.08 (2.0825)
Y260.5 (260.10)

STERLING INDEX: 71.3 (72.0)

LONDON MONEY

3-month interbank: closing rate 13 1/4% (13 1/2)
3-month eligible bills: buying rate 13 1/4% (12 1/4)

STOCK INDICES

FT Ord 988.5 (-0.7)
FT-A All Share 622.26 (622.00)
FT-SE 100 1,293.5 (-1.0)
FT-A long gilt yield index: High coupon 10.73 (10.69)
New York lunchtime: DJ Ind Av 1,287.10 (-2.98)
Tokyo: Nikkei Dow 12,009.01 (+68.21)

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OVERSEAS NEWS

Britain 'ready to hold talks with Libyan officials'

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

BRITAIN IS ready to hold talks with Libyan officials as a step towards improving relations between the two countries, following the release of four British hostages held by Libya for nearly nine months. Sir Geoffrey Howe, the Foreign Secretary, announced yesterday.

In a written reply to a question in the House of Commons, the Foreign Secretary said the meeting would be held under Italian auspices to discuss "matters of concern to each side."

The Italians have been looking after British interests in Tripoli since April last year, when Britain broke off diplomatic relations with Libya over the shooting of Policewoman Yvonne Fletcher, outside the Libyan Embassy in St James's Square.

Officials said that the timing and agenda of the meeting had not yet been decided. But it could take place in a third country.

Fed 'must resist money supply expansion'

By Reginald Dale in Washington

MR PAUL VOLCKER, the chairman of the Federal Reserve Board, yesterday said that the Fed must resist pressure to expand the U.S. money supply to resolve the imbalance between domestic savings and investment.

"Printing money is not a substitute for the real savings necessary to finance high levels of investment and budget deficits simultaneously," he said in testimony before the Senate Budget Committee.

Mr Volcker said that excessive monetary creation would be counter-productive to the extent that it stirred new inflationary fears, which in turn could drive interest rates higher.

By undermining the growing confidence in prospects for price stability, it could also discourage the inflow of foreign capital on which, for the time being, the U.S. was dependent, he said. If Congress failed to make substantial inroads into the budget deficit, "I don't think we have the option of inducing this problem away," he added.

Mr Volcker took issue with President Ronald Reagan's claim in this week's State of the Union message that economic growth was the best way of reducing the budget deficit. There was a clear threat that, left unattended, the deficit would rise over future years even in the context of a growing economy, he said.

Mr Volcker warned that a loss of foreign confidence in investment in the U.S. would cause a sharp drop in the inflow of foreign funds.

U.S. wants Nato help on Star Wars

By Robert Mauthner

THE U.S. wants to enlist the help of scientists and experts from its Nato allies to develop the technology for its Strategic Defence Initiative (SDI), known as the Star Wars project.

Mr Caspar Weinberger, the U.S. Defence Secretary, said in London yesterday. "We welcome assistance from our allies at all phases of the plan."

Mr Weinberger went on to say that he described as the erroneous impression that the SDI system would be effective only against inter-continental ballistic missiles.

If the research was successful, it would provide "a thoroughly reliable defence" against medium-range as well as long-range offensive missiles. There was no question, therefore, of a decoupling of the U.S. from Europe as the result of the adoption of the SDI, Mr Weinberger said.

Mr Weinberger added that the U.S. had no intention of taking retaliatory steps against New Zealand for refusing to allow U.S. ships carrying nuclear weapons into its harbours.

Oil shale deal near for Brazil

By Andrew Whitley in Rio de Janeiro

BRAZIL IS close to agreement with the U.S. on the provision of Brazilian-developed technology for a \$260m (£233m) oil shale extraction plant in the U.S.

Petrobras, the Brazilian state oil company, is negotiating with the U.S. Synthetic Fuels Corporation, a federal government agency, and a letter of intent is expected in about 10 days' time.

Brazil is a world leader in the technology but a lack of funds has hindered its application on a large scale within the country.

According to Petrobras, the technology transfer to the U.S. will take place through a joint venture with Stone and Webster and American Synco, both of the U.S.

Venezuela cuts price of light crude oil

VENEZUELA IS to reduce the average price of its light and very light crude oil by \$1.75 a barrel, with effect from Sunday, Dominic Lawson reports.

The Venezuelan energy ministry said that the move would bring Venezuelan oil into parity with the new pricing structure agreed by Opec.

Tony Walker tastes the liquid assets from the cellar of Chateau Musar near Beirut Lebanese battlefield vintages win acclaim

"AS YOU can see we keep our assets liquid," said Mr Ronald Hochar, gesturing to tens of thousands of dusty wine bottles in the cellars of Chateau Musar.

M Hochar was speaking at the Lebanese pound traded at an historic low and it appeared unlikely 1988 would be a vintage year for Lebanon's economy.

At Chateau Musar in the hills behind Jounieh port, 16 km north of Beirut, the Hochar brothers, Ronald and Serge, produce distinguished reds despite Lebanon's turmoil. A wine-makers barometer of the troubles were the "lost" vintages of 1978 and 1984 coinciding with the worst conflict.

Chateau Musar has been steadily building an international reputation through the years of war. In 1984, Serge Hochar was named "man of the year" by Britain's Decanter wine magazine and in New York recently he was honoured by wine critics.

The 1984 Chateau Musar has been compared favourably with the best of Chateau Latour and Chateau Mouton Rothschild. Its characteristics - black currants and cedarwood - are said to be those of the Bordeaux region where Serge Hochar was sent for training by his father, Gaston, who started Chateau Musar in the 1930s.

"Losing a vintage," says Serge, "is not the end of the world. The advantage of wine is that it ages and when it ages well it doesn't matter if you



don't produce for a couple of years."

Not that the Hochar brothers spare any effort each year to process their grapes which must be brought some distance across the mountains from the West Bekka Valley in an area occupied by Israeli forces and with in range of Syrian mortars.

Transporting the grapes from behind "enemy" lines proved too much even for the Hochar's ingenuity last year. A combination of Israeli obduracy - trucks carrying the grapes were held up for days in the sun at an Israeli road block - and bad weather, which prevented them being shipped by sea, ruined the

1984 vintage.

For Serge Hochar, the worst part about losing a vintage is not the financial cost, rather the loss of the "experience." Your life, he says, is geared to the two wine making months, September and October and when it doesn't happen you feel a personal sense of loss.

In the deep cellars of Chateau Musar, fashioned from a remodelled ancient building, the Hochar brothers have reason for a small celebration despite Lebanon's continuing problems.

"The 1983 vintage, which was a little disappointing at first is now showing promise. 1983 may be one of the very great

vintages," says Serge. "Notice the deep ruby colour. It's very concentrated, lots of flavour and very lengthy."

International acclaim for the Hochar's recent. Their first determined venture outside Lebanon was to exhibit at the 1978 Bristol wine fair where their product received good notices.

Michael Broadbent, the British wine critic, wrote at the time that the 1987 was "outstanding and inexpensive, the 1981 and 1989 great. Hard to describe, full soft - a bit of claret, a touch of Burgundy."

In 1981 the New York Times wine writer was astonished to "discover cabernet of such quality from Lebanon," and he extolled the virtues of the Musar 1964 which was "fruity, rich, tannic and textured, with a classic Bordeaux bouquet of blackcurrants and cedarwood and a flavour intensity that I normally associate with Chateau Latour and Chateau Mouton Rothschild in exceptional vintages."

From the gallery above Chateau Musar there is a view of a housing project in traditional Lebanese style with buildings done from some quarried on the site.

The houses, part of a \$60m (£55m) development, look down on the once elegant Casbah du Liban and across the Bay of Jounieh to Beirut. The Hochar brothers say the project is another expression of their faith in the future of Lebanon.

However, it is for their ability as wine-makers they wish to be judged, even though their real estate interests contribute more to the family coffers. "What is a building development," says Ronald, "compared with a fine vintage?"

in bottles of wine a year, 50 per cent of which were exported in 1984, a big increase on the year before reflecting growing international recognition and difficulties in the local market.

"It is more probable to export," says Ronald. "But we're limited with the quantities we have and at the same time we don't want to flood the market."

Serge says the Hochar's will continue in the wine business come what may. The family has considered purchasing a vineyard in California in case access to their grapes in the Bekaa is stopped by war or partition of the country.

But until that happens there is no question of the Hochar's moving. "I would have stopped making wine," says Serge, "if I did not have faith in what I do and faith in the future."

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Marchais scores victory over reformists

By Paul Betts in Paris

THE HARDLINE leadership of the French Communist Party has won a tactical battle at the party's 25th Congress over dissident members who have been calling for reforms at a time when the party is suffering a steady and alarming electoral decline.

After two days of debate, the leadership has succeeded in smothering the dissenting voices of the so-called reformist members of the party. Each time a "renovateur," as the reformists are known, spoke out

in the cavernous congress hall, he was put down by leading party members.

The leadership sought from the beginning to stifle internal party critics. In his five hour address opening the Congress this week, M Georges Marchais, the Communist secretary-general, insisted on the need for party unity and loyalty.

He also defended the leadership's policies and sought to blame the party's decline on the policies of the French Socialist Party

But M Marchais, whose mandate as secretary-general is expected to be renewed on Sunday when the Congress ends, appears to have won a Pyrrhic victory. Although the hardliners have re-established their overall hold on the party, their critics have scored points by warning of the longer term implications of the party's policies.

M Pierre Juquin, the party's official spokesman and a leading reformist, warned yesterday of the dangers for the party to

close itself into its shell and become isolated from political life in France.

While measuring his criticism of the leadership and pledging his support to the party and its majority decisions, he said: "We will not win our battles by fixed dogmas. Debate is for the Communists like oxygen to the human body."

M Juquin is unlikely to be re-elected to the party's politburo although he could still retain a seat in the central committee.

Ecu logo breaks down barriers

By Quentin Procter in Brussels

THE promoter of a European Currency Unit travellers cheque is delighted with the nationalities of the winner and runner-up of the competition to design its currency logo.

First prize, a cheque for Ecu 10,000 (£6,000), went to Mr Nicholas Craig, a Briton living in Paris, and second prize, a cheque for Ecu 5,000, went to Herr Wolfhard Bless, of Neumünster, West Germany.

The British and West German governments are generally regarded as foot-draggers in the European Community's efforts to promote the Ecu, its fledgling currency.

Britain still refuses to join the exchange rate mechanism on which the Ecu is based while the Germans are dead against granting the embryonic Eurocurrency any status for private transactions.

The French travellers cheque promoter, Societe du Cheque de Voyage en Ecu, owned by Credit Lyonnais, Banque Nationale de Paris, Credit Commercial de France, regards the whole exercise as an excellent example of Community co-operation.

It was quick to point out that Herr Bless will be able to cash his cheque because his country's banking regulations merely forbid any German from incurring Ecu-denominated debts, not crediting.

The travellers' cheques are due to be issued in about two months' time. The hope is that they will attract travelling purchasers keen to protect themselves against the fluctuations of their individual currencies, and to enjoy the greater stability of the Ecu, which is based on a basket of them all.

Thomas Cook, the travel subsidiary of the Midland Bank, is preparing a rival Ecu travellers cheque for the Eurocheque association of banks.

EEC forecasts growth in industrial investment

By Our Brussels Staff

THE RECOVERY of industrial investment in the EEC will continue and accelerate to reach a real rate of 9 per cent in 1985, according to the latest Community business survey published by the European Commission.

Responses from European manufacturing industry also suggest that there could be a slight increase in employment in that sector in 1985, after 10 years of continual and rapid decline.

The forecast growth rate amounts to 14 per cent in current prices, and compares with a real rate of 7 per cent

(12 per cent in current prices) in 1984.

The survey reveals that the percentage of companies planning to enlarge capacity in 1985 has increased for the second successive year, although the major part of industrial investment will still be concentrated on rationalisation and modernisation of existing plants.

Plans for investment in new capacity - an important indicator of possible new jobs - remain particularly low in France, where only 13 per cent of companies reported such an intention, compared with an EEC average of 20 per cent.

Swedes agree 5% pay settlement framework

By David Brown in Stockholm

SWEDEN'S blue collar trade union council and the SAF employers' federation have agreed on a framework for 1985 pay settlement aimed at keeping total wage costs within the Government's voluntary 5 per cent guideline.

Prime Minister, Olof Palme, greeted the bargain, which was reached in the early hours of yesterday morning, as "an outstanding settlement for the Swedish economy."

Because the 5 per cent guideline includes both the carried-over cost of last year's settlements and the cost of individual agreements - reached at plant

level, there is in many cases only the most slender margin for an actual pay increase.

The agreement covers about 800,000 blue-collar workers representing about 30 per cent of Sweden's labour force.

Voting along strict party lines, the Government yesterday defeated an opposition-backed motion of no-confidence in the Foreign Minister, Lennart Bodstrom, whose private remarks to journalists last week led to a bitter controversy over his commitment to Swedish defence policy and may cause the Government difficulties at the polls this autumn.

Walesa in plea for accord

By Christopher Bobinski in Warsaw

MR LECH WALESIA, the Polish Solidarity leader, has chosen the close of the Popieluszko murder trial to appeal again for a national accord between government and people, and to urge the Polish authorities to go further in showing that "the right of law dominates over the right of force."

His appeal yesterday came a day after four secret policemen

received sentences ranging from 25 to 14 years for their part in the kidnap and murder of Father Jerzy Popieluszko, the pro-Solidarity priest.

The official media made no comment on the prison sentences. But Mr Walesa said: "Forgiveness for such a cruel death could have a full moral sense, if there was a revival in public life following this drama."

Portuguese party to meet

By Diana Smith in Lisbon

THE 97-member national council of Portugal's Social Democratic Party (PSD) meet today to elect a temporary solution for its leadership crisis.

The council is expected to pick a management committee to run the party until a special congress in April elects a leader.

Professor Carlos Mota Pinto, the party's president, resigned on Tuesday in protest against

persistent hectoring by Lisbon-based factions whose leaders, Sr Marcello Rebelo de Sousa and Sr Joao Salgueiro, have persistently sought to unseat him since he was elected in early 1983.

Sr Mario Soares, the Socialist premier, has asked Prof Mota Pinto to remain Deputy Premier and Defence Minister in the 19-month-old coalition government until there is a clearer idea of who will lead the PSD.

Coronet TV leases RCA satellite

By David Marsh in Paris

FRESH SPARKS are likely to fly in France's long-running battle with Luxembourg over satellite television following a breakthrough by Coronet, the private enterprise communications group, based in Luxembourg, in its plans to beam TV signals from space to much of western Europe next year.

Coronet, which is in the final stages of negotiating backing from a group of European investors including West Germany's Deutsche Bank, has just signed an accord to lease a high powered communications satellite from RCA of the U.S. and launch it with the Ariane space rocket in September 1986.

The Coronet project has been heavily criticised already by the

French Government, which fears it will compete with France's own TDF-1 direct TV satellite planned to be launched in July next year.

The venture has also been condemned by the Paris-based Eutelsat organisation owned by the telecommunications authorities of 20 European countries, which believes Coronet will damage its commercial opportunities for existing and planned ECS communications satellites.

The Coronet accord with RCA and with ArianeSpace, the commercial organisation which sells space launches on board Ariane, brings a new twist to months of complex manoeuvrings among government and private organisations in Luxembourg, France and

West Germany over the future of satellite broadcasting in Europe.

The agreement with RCA covers the acquisition of two high-powered satellites, costing \$120m (£100m). They are designed to beam TV pictures, backed by advertising, to collective antennas on buildings like apartment blocks and hotels as well as to cable networks. The second spacecraft is planned to be launched in 1987.

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Texaco aims to increase its pump prices by 4p

By Dominic Lawson

TEXACO, fourth largest petrol retailer in the UK, will attempt to raise prices at the pump by an average of 4p a gallon by withdrawing all price support for its dealers with effect from the start of business next week. None of the integrated oil companies is making money in the UK petrol retail market at the moment, and it seems that British Petroleum, Shell and Mobil, three of Texaco's main rivals, are prepared to follow the U.S. oil company. Uncertainty surrounds the intentions of Esso, which vies with Shell for leadership of the petrol market. Two weeks ago Texaco called publicly for an increase of about 5p a gallon, which it felt would be the minimum required for the industry to make a profit. Esso promptly responded that the market was not ready for a price increase, and none of the main variables in the petrol market has altered significantly since.

If Esso does not follow the lead of Texaco, and any company that follows it, will have to come back down again. Texaco said yesterday that the effect of withdrawing price support would be a four-star price of 191.9p a gallon, an average increase of 4p. Some areas such as South Wales would have a very large increase, since pump prices there are as low as 180p. Others such as Scotland and Northern Ireland, are less competitive and the average price in those places is very close to 191.9p. Mr Harry Matthews, Texaco's managing director, said yesterday that the main reason for the increase was the continued depreciation of the dollar, in which crude oil is priced, against the pound. He said that the dollar price of North Sea crude had fallen, sterling cost of North Sea oil was now about £25 a barrel, an increase of 21 per cent over the past year.

He added that crude oil costs last year increased by the equivalent of 12p a gallon, while oil companies gained price increases of only 1.5p a gallon in the same period. Yesterday spot price February shipments of North Sea crude was quoted as high as \$28.90, higher than the last official price agreed by the British National Oil Corporation. But Esso is likely to note that the sterling price of gasoline on the spot market has actually fallen by 25 a tonne, since petrol prices were last increased in September. For the independent chains that factor is more important than North Sea crude prices, and the danger for the majors is that if they raise their prices they may lose market share to the independents who buy their petrol at low spot-market prices.

Port wins back container customer

By Richard Tomkins

THE Port of Southampton has won back its biggest customer, the Trio consortium of five shipping lines. The consortium stopped using Southampton when a 12-week manning dispute closed the port's container terminals on October 20 last year.

Trio's return is a significant boost to Southampton's recovery in the wake of the strike. Container traffic accounted for 70 to 80 per cent of the port's business before the dispute broke out, and Trio handled about three-quarters of it. The remainder was handled by the Southern Africa European Container Service which announced on Wednesday that it would resume using Southampton as its UK port of call from April 1.

Trio is a consortium of five shipping lines from three countries: Overseas Containers and Ben Line (UK), Nippon Yusen Kaisha and Mitsui Osk Lines (Japan) and Hapag Lloyd (West Germany). It operates between northern Europe and the Far East. Since the Southampton dispute began, it has been using Greenock, Bristol and Tilbury as its UK ports of call and transhipping some goods in smaller vessels from Continental ports. Its first vessel to call at Southampton since the dispute began will be the Cardigan Bay on February 18.

Settlement of the dispute has enabled the port to cut its costs—and therefore the rates it offers—considerably. Cargo handling gangs have been cut by 25 per cent and new shift work arrangements have cut dockers' weekly pay of £270 a week by up to £40.

Trio's decision to resume working from Southampton was announced after a meeting with Associated British Ports yesterday afternoon. Mr Michael Leslie, chairman of the Trio steering committee and general manager of Nippon Yusen Kaisha's London branch office, said: "As a result of these talks, we feel we have assurances that they will provide a reliable and efficient service and it is on that basis that we are going back."

Kenneth Gooding surveys Sir William Lyons' productive life Jaguar founder saw former glory returning

SIR WILLIAM LYONS, founder of the Jaguar car company, who died at his home near Rugby yesterday aged 84, lived long enough to see Jaguar return to something like its former glory. Record car production last year followed his move back to the private sector as an independent organisation. Jaguar shares are selling at nearly double the price at which they were sold last August.

In his later years, much mellowed and a more approachable character than in his heyday, Sir William struck up a personal friendship with Mr John Egan, Jaguar's managing director, and the product engineering chief, Mr Jim Randle.

Consequently Sir William's influence on Jaguar products will continue to be felt for some years yet because of the advice and help he gave them. He is given most of the credit for building up Jaguar over 30 years. Like many British industrialists at the time, he ruled the company with a rod of iron. Autocratic, dictatorial and aloof, he went to great lengths at times to get his own way.

The story is still told of how in 1963 when he wanted to bring back to Jaguar Mr Wally Hassan, a senior engineer who left to join the Coventry Climax engine company and improve his prospects, Sir William did not approach Mr Hassan himself, but instead went out and bought Coventry Climax.

It was in 1922 that Bill Lyons co-founded the Swallow Sidecar Company. In 1927, because of



Sir William Lyons right and one of the classic models the Jaguand XK 150 drophead

It was promoted as "the car with the £1,000 look," but cost only £310.

The Jaguar name was first used in 1935 after Lyons had eliminated others, such as Hawk and Gazelle, from a shortlist. SS Cars was floated as a public company in 1935 and the issue heavily over-subscribed. With the help of an engineer, William Haynes, Lyons continued to develop the SS range to include a model fitted with the company's own 120hp, 2.5 litre engine which powered the SS100 to well over 100mph.

To achieve good sales for the SS100, the car went on sale at a very low price, £385. Sir William recalled many years later: "I never charged enough for the cars in those early years."

But by the outbreak of war in 1939 production was running at 5,000 a year. During the war car production gave way to output of military equipment, which included fuselage sections for pioneering jet aircraft.

When car output resumed after the war the old SS name was dropped because of its Nazi associations and the company was renamed Jaguar Cars.

Jaguar's XK engine was the first mass-produced engine with twin overhead camshafts and hemispherical combustion chambers. It was used in 1948 to power the XK120, first of a series of sports cars which included the XK140 and XK150.

The XK engine and the styling of the XK series cars brought Jaguar worldwide acclaim, and provided the foundation for the company's

reputation for design and performance that lives on today. During the 1950s Jaguar cars won the Le Mans 24-hour race five times, something else that boosted its fame.

Production grew rapidly in the 1950s, and topped 20,000 cars for the first time in 1959. The company moved to its present factory at Browns Lane, Coventry, in 1951 to cope with the expansion in demand.

Sir William, knighted in 1956, diversified, acquiring the Daimler saloon car company, which gave extra capacity and two excellent V8 engines—and Guy, the lorry-builder. Later Coventry Climax was added.

By the mid-1960s Sir William was approaching retirement age, as were most of his fellow-directors, and the question of who would succeed him became a pressing issue. His only son had been killed in a car accident in 1956.

The problem seemed to have been solved through the friendship Sir William struck up with George Harriman, chairman of British Motor Corporation, which had emerged in the 1960s from a series of mergers designed to strengthen the UK motor industry.

The two men shared a car after a London dinner one evening and a casual remark about the succession at Jaguar soon turned to more serious discussions about a merger of BMC and Jaguar.

Sir William later recalled that right up to the merger with BMC in 1966 his company was always profitable, though it is a widely-held belief in the

industry that after 20 years of post-war success, Jaguar was prepared to merge with BMC only because it was unable to pay for its model replacement problem.

Last year Sir William rejected that suggestion and insisted there were two other reasons. "I hadn't long left in

day-to-day management, and I wanted to leave the company in good hands."

He was also worried because BMC had acquired Jaguar's supplier of body panels, Pressed Steel Fisher, and was concerned about future continuity of supply.

BMC merged with Leyland to form British Leyland in 1968, a move which Sir William later described as "ruinous." By 1975 British Leyland had run out of money, and turned to the Government for help.

Sir William, a large, pink-cheeked man, remained actively involved with Jaguar until 1972. At the age of 70 in 1971 he went on a coast-to-coast tour of the U.S. to promote the V12 E-type Jaguar. He has been honorary president of the company since 1972.

He leaves a widow and two daughters. Mr Egan said yesterday: "Sir William created this company, and will be sadly missed by his great many friends at Jaguar and throughout the motor industry."

Water body 'keen to be privatised'

By Richard Evans

MR ROY WATTS, chairman of Thames Water Authority, said Thames would volunteer "here and now" to be the first water authority to be privatised. His remark follows a promise by Mr Ian Gow, Environment Minister with responsibility for the water industry, that the Government was to consider privatisation of water authorities.

Mr Watts does not believe his battle with the Government over pricing policy for water has been lost, in spite of Thursday's Commons vote which will increase prices by 10 per cent.

He intends to concentrate his attack on the issue of privatisation and believes Ministers could be forced into announcing early plans for privatisation to avoid another conflict over water charges next year.

Although the Government won the Division by 104 votes, nearly 40 Tories voted against or abstained and there was widespread dissatisfaction over the coercion of the water authorities into increasing charges by twice the rate of inflation.

The Government's opponents believe criticism will increase when the higher charges take effect after April. The average increase for 11m Thames area customers will be more than £12 a year.

Thames Water originally proposed an increase of 3 per cent as sufficient to cover investment costs and make a profit. This was countermanded by the Government as part of its campaign to maximise profits from nationalised industries and reduce public sector borrowing.

Mr Watts said he was convinced privatisation was the best way to ensure long-term protection for customers.

In his view, ministers would have to give serious consideration to the relationship between the Government and water authorities if they were to avoid "substantial and increasing opposition next year and in succeeding years."

Tate & Lyle developing artificial sweetener

By Carla Rapoport

TATE & LYLE, the sugar group, is developing an artificial sweetener in co-operation with Johnson & Johnson, the large U.S. pharmaceutical and consumer products group. The sweetener, code-named TGS, is in the development stage but Tate & Lyle said yesterday the product was "looking good in safety tests."

The artificial sweetener market has become increasingly competitive worldwide as more companies seek to reduce the sugar in their products without sacrificing taste or safety. Tate & Lyle introduced thaumatococcus, its first artificial sweetener, in August 1983.

Thaumatococcus, under trial with food manufacturers, is primarily a flavour enhancer, not a sweetener. Its prime commercial target is expected to be the chewing gum market.

This week, Johnson & Johnson submitted TGS to the U.S. Food and Drug Administration for approval. This process could take years as the safety standards for artificial sweeteners in the U.S. are particularly high.

Tate & Lyle said the sweetener was sucrose-based and chemically derived. Thaumatococcus, by contrast, is derived from the West African katemfe fruit. The company declined to comment further on the product's development, and said it would be some years before it knew TGS's commercial value.

Since the Southampton dispute began, it has been using Greenock, Bristol and Tilbury as its UK ports of call and transhipping some goods in smaller vessels from Continental ports. Its first vessel to call at Southampton since the dispute began will be the Cardigan Bay on February 18.

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Second science park planned

A SECOND science park in Cambridge could open in a couple of years, following yesterday's announcement of plans for a £5m innovation centre on 22 acres of land owned by St John's College on the city's outskirts.

Some of the money to develop the centre, with the rest coming from venture capital organisations and Prof Wayne Brown, a U.S. entrepreneur who runs two innovation centres in Utah and Texas.

Final bids for RAF trainer submitted

By Lynton McLain

THE Ministry of Defence has received final bids for the £200m contract for new trainer aircraft for the Royal Air Force. Ministers are expected to reach a decision on the trainer in the next few months, the Ministry said yesterday.

Four aerospace manufacturers were eventually permitted to submit their "best and final" bids for consideration. This was after the ministry had reversed a decision to invite only two of the short list of four bidders to put final offers.

The companies initially invited to submit final offers were British Aerospace, collaborating with the Swiss Pilatus company on the PC9 trainer aircraft, and Short Brothers of Belfast, collaborating with the Brazilian Embraer company on the Tucano trainer.

Protests from the other two original bidders, Hunting Firecracker Aircraft with the UK Firecracker and Westland Aircraft with the Australian-designed A-20 Wamira II aircraft, led to all four being asked

to submit their "best and final" bids. The ministry pointed out yesterday that the additional option for the RAF of refurbishing the existing jet trainer, the Jet Provost, "could not be ruled out at this stage."

All four of the competing aircraft are powered by turbo-propeller engines. The tender for the basic trainer calls for the manufacturers to submit proposals to supply 180 aircraft, with an option for an additional 15 trainers.

Talbot lays off 1,000 over Iran delay

By Arthur Smith, Midlands Correspondent

TALBOT UK last night laid off indefinitely the 1,000 workers engaged on its £130m-a-year export contract to supply car kits to Iran.

The company said production could not be resumed until letters of credit were received from Iran or pay for kits already stockpiled at Newport Docks, South Wales.

It said: "We are hopeful the letters will not be delayed much longer because the Iranians are anxious to keep their own assembly-lines running as this is such a popular car." The kits, based on the old Hillman Hunter, are sold in Iran as the Peykan.

Talbot, UK subsidiary of Peugeot of France, suffered a

£1.88m loss for the first half of last year because of similar delays in letters of credit. Even though the Iranian problem caused a six-week lay-off at the Coventry engine-plant in the second half, Talbot is thought to have achieved a trading profit for the whole year.

Ignore politics Belgrano jury told

AN Old Bailey jury was warned yesterday not to become involved in politics when deciding its verdict in the General Belgrano secrets trial.

Mr Justice McCowan, at the start of his summing up, told the jury it was not concerned with whether it agreed with the policies of the Government at the time the Argentine cruiser was sunk.

Mr Clive Ponting, 38, has claimed he leaked two documents on the Belgrano sinking to Mr Tam Dalyell, Labour MP for Linlithgow, because he had a duty in the interests of the state and he believed parliament was being misled by the Government.

The judge said that, after a general election, the policies of a party which commanded the support of the majority of the House of Commons were, for the time being, the policies of the state.

It was not a question of the Conservative Party being the

Majorca to expel hooligans

By Arthur Sandles

TOURISTS WHO cause trouble on the Mediterranean holiday island of Majorca this summer will be sent home immediately as part of the island's general tightening of standards.

A leading Majorcan hotelier said: "The hooligans—Spanish, English or Scandinavian—within two hours they will be out. We have the co-operation of the tour-operators in this."

Mr Juan Caldentey, assistant managing director of Sol Hotels, said an agreement had been made among hotel, bar and restaurant interests, local authorities and tour-operators.

By it many tourist resorts on the island are banning open-air music after midnight, and actions such as taking crates of beer to beaches and selling drink out of doors late at night.

Civic officials will visit London this month to detail the campaign.

Mr Caldentey denied that Sol, one of biggest hotel groups in Spain, planned to cut prices in response to the fall in British custom. He said Sol's British sales were down by 15 per cent and his group was doing better than many others.

Mr Caldentey said Sol Hotels would not cut prices.

MPs plan rough ride for bus service proposals

By Sue Cameron

SIX MEMBERS of the House of Commons Transport Committee are trying to delay the Government's Transport Bill designed to deregulate buses and introduce greater competition in local services.

The Bill is due to be given its second reading in the Commons next Tuesday. However, the MPs—four Conservatives and two Labour—are calling for the Commons to postpone a second reading until the transport committee has published a report on "the most fundamental upheaval in the bus industry for over 50 years."

The six have also put down a motion calling for the Bill to be put to a special standing committee. This would mean the Commons itself acting as a committee and able to hear evidence for and against the Bill.

Publication of the transport committee's report is said to be imminent and it is expected to be critical of many details of the Bill.

It is thought unlikely that the six members of the committee will succeed in postponing the Bill's second reading. But their attempts to delay it are regarded as a sign of the strong opposition.

Mr Nicholas Ridley, the Transport Secretary, who has not been noticeably successful in persuading the Commons to accept his policies over the last few months, can probably expect the strongest attacks when it reaches the committee stage.

Low pay rise plan attacked

By Max Wilkinson, Economics Correspondent

TREASURY RESEARCH suggesting that lower pay rises would stimulate economic activity and employment was strongly attacked yesterday by Mr Bryan Gould, the Labour Party's spokesman on trade.

In a letter to Mr Nigel Lawson, the Chancellor, Mr Gould said there was little evidence that lower pay would help employment unless it were accompanied by a change in monetary and fiscal policies.

In the absence of a relaxing of government policies, he believes the main result of a deceleration in pay rises would be to increase company profits. He is sceptical whether companies would use these extra profits for increased investment in the absence of a stimulus to overall economic demand.

Any improvement that a fall in real wages might give to overseas competitiveness would probably be offset, Mr Gould thinks, by a rise in the exchange rate.

In his letter, Mr Gould says: "Your policy is therefore revealed as being nothing more than the age-old Tory preoccupation with making the wage-earner responsible for mistakes in economic management."

"In domestic terms, a fall in real wages would be most likely to lead to a straightforward transfer from wages to unproductive profits."

A warm wicket YORKSHIRE County Cricket Club has been offered a third year of sponsorship from Servowarm.

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Immediate increase in mortgages ruled out

By Margaret Hughes

BUILDING SOCIETIES yesterday confirmed that there is to be no immediate rise in their interest rates. After the monthly meeting of its council members, the Building Societies Association said it believed circumstances did not warrant an increase.

Societies increased rates on February 1 by between 1 and 1.25 percentage points on mortgages and by three-quarters of a percentage on investment accounts.

The association said the situation would be kept under review in the light of competing interest rates, the flow of funds and mortgage demand.

However, a change in rates this month is considered highly unlikely. Although building society rates are out of line with market interest rates, following the third rise in bank base rates, the inflow of funds from savers has held up well.

January's figures are due to be announced next week. They are expected to show a net inflow of about £500m. This would be the fourth-highest monthly inflow in the past 12 months.

Societies report a steady inflow this month. There may well be a fall off, however, once the new 30th issue of National Savings Certificates paying 8.55 per cent free of tax goes on sale next Tuesday.

National Westminster Bank has also launched an account which, on balances of more than £2,000, matches the highest return paid by building societies.

Lloyds Bank and Barclays Bank are to launch accounts in an attempt to be more competitive when they have to deduct composite rate tax at source from April 4. Midland Bank has a competitive product in its high interest cheque account.

The returns on these bank accounts are now more competitive with building societies because banks have raised their rates further following the 2 percentage point increase in base rates. Building societies have not and even the February increases did not fully reflect the earlier rises in base rates.

Mr Mark Boleat, the association's deputy secretary general, said the council would be reviewing rates again on March 7. If bank base rates were to fall it was unlikely mortgage rates would come down straight away but a continuation of lower rates could lead to lower mortgage rates.

Gestetner to lose 500 jobs in restructuring

By James McDonald

GESTETNER HOLDINGS, the office equipment group, is to close much of its factory in Tottenham, London. Eventually about 500 jobs will be lost in the Gestetner organisation in the UK, where nearly 2,700 are employed.

The partial shutdown at Tottenham was announced yesterday as part of a reconstruction of the company's manufacturing operations. The cost of reorganisation, phased over the next year, is estimated at about £7m. Gestetner employs about 9,000 overseas.

Mr David Gestetner, joint chairman of the company, said it could use its manufacturing capacity and this was adding to the already high cost of its

World sales of duplicating machines and stencils have fallen in recent years. Gestetner says it has been unable to compensate this by manufacturing alternative products at prices matching those of international competitors.

The use of electronics in new duplicating machines had also reduced the number of components made by the group, Gestetner told its workforce.

Mr David Gestetner, joint chairman of the company, said it could use its manufacturing capacity and this was adding to the already high cost of its

ageing works at Tottenham. He said the sad but unavoidable consequence of this was that the company must now begin to phase out the production of duplicating machines and stencils from Tottenham.

Enlarged facilities will be made available at Wellingborough, Northants, for duplicating-machine production, and at Sirling, Scotland, for stencils.

Gestetner says priority will be given to Tottenham employees who are interested and suitable for job vacancies elsewhere in the organisation.

Tyres recalled 'as precaution'

By Kenneth Gooding, Motor Industry Correspondent

SEMPERIT, the Austrian state-owned tyre manufacturer, is recalling as a precautionary measure some tyres sold in the replacement markets in the UK, West Germany, Austria and the U.S. and fitted to Ford Sierra cars built in Cork in the Irish Republic between April and July last year.

In extreme conditions the

rubber of the tyre could separate from the steel bands employed in its radial ply construction.

Semperit said yesterday only a small number of tyres was involved. They are of the Hi-Life M501 type and carry the production code DOT BU followed by a letter and a combination of figures ending in 164 or 174.

The company urges anyone with the tyres to contact a dealer or Semperit for a free inspection and replacement if necessary.

Ford dealers are to contact 2,000 Sierra owners, whose cars might have been fitted with the tyres, for a free inspection. In the UK, Semperit can be contacted at Slough (0753) 38711.

Trading improvements urged for EEC

By Our Trade Editor

HARMONISATION of technical standards, fewer border formalities and a free market in services are Britain's priorities for making the EEC internal market work, Mr Paul Channon, Britain's Trade Minister, said yesterday.

He said Britain was supporting a new approach on standards by the EEC Council of Ministers. Instead of trying to reach a common standard for EEC products, the aim was to set minimum rules for health

and safety and consumer protection and to secure greater recognition of member countries' different specifications.

Red tape at EEC frontiers was costing industry an estimated £500m a year in waiting time, he said. Following recent agreements to simplify paperwork and to co-ordinate border opening-hours, the next big step would be to computerise customs procedures.

Britain hoped to see London

established as the financial centre of the internal market, freely supplying its services to the EEC. The priority was to win licence to treat for a life insurance, unit and investment trusts and accountancy services and to see national exchange controls relaxed.

Mr Channon was speaking to the European Business Centre in London. He will be in Brussels on Monday for a meeting of the EEC's internal market council.

Study on transport costs in regions

By Mark Meredith, Scottish Correspondent

THE TRANSPORT costs of companies in areas of Britain such as Northern Ireland or Scotland are not much greater than in more central areas, according to a government-backed study.

The report by FEIDA consultants of Edinburgh for the European Commission, the Industry Department for Scotland and the Department of Economic Development in Northern Ireland argues against

increased transport subsidies as an efficient form of regional policy. The study, however, says that distance can be a disadvantage to regional economic development in a wider sense.

Governments in the EEC have been looking at problems faced by businesses in the Community's peripheral areas. This report shows that it is wider issues, such as being far from the central areas of economic

activity, that cause difficulty rather than transport costs. The consultants found no evidence to indicate that transport costs affected the industrial structure of outlying regions significantly.

Average transport costs were between 2 per cent and 4 per cent of gross output value and the study found that in most outlying areas the rate was between 2.8 per cent and 4 per cent.

Private hospitals consider drugs curb

By Carla Rapoport

A NUMBER of Britain's largest private hospital chains are considering limiting the drugs they dispense to those with government proposals for the National Health Service.

Mr Bob Graham, managing director of Bupa, which runs 11 hospitals in the UK, says his hospital division will study the Government's restricted list closely when it is released in the next few weeks. "We have to watch our costs, too," he said.

The proposed list, which is intended to save the Government £100m from its £1.4bn drugs bill, has been criticised sharply by many in the medical profession for infringing on doctors' freedom to prescribe.

Mr James Estall, company secretary of the Nuffield Hospitals, one of Britain's largest hospital chains, said yesterday: "It makes sense for us to study what the NHS is going to do, with a view toward saving money."

The UK subsidiary of AML, the U.S.-based health group, which is the largest provider of private hospital beds in the UK, said it also was considering issuing a limited list. It plans talks with its medical advisory committees on the subject.

Other hospital groups are studying the proposals with a view to instituting some control over the prescribing policies of their doctors. The Government's list is aimed mainly at drugs for minor conditions. The private hospital's move would not have a big impact on drug sales unless the list were extended to more serious illnesses.

A proposal to expand the drug dispensing privileges of NHS doctors could prompt the collapse of a number of small, community pharmacies.

According to the Pharmaceutical Society of Great Britain, the Government is considering a move to allow doctors to dispense these medicines which will no longer be available on a NHS prescription over a restricted list of medicines is approved.

"Unless the public wish to see the pharmaceutical service in rural areas eroded to the brink of extinction, we urge them to oppose these proposals," the PSGB said.

Teachers to call half-day stoppage without ballot

By David Brindle, Labour Staff

LEADERS of the second-biggest teachers' union plan to call a national half-day strike later this month without balloting members under the terms of the Trade Union Act.

The move by the National Association of Schoolmasters/Union of Women Teachers seems certain to deepen legal controversy surrounding disruptive action by teachers in pursuit of a 12.4 per cent pay claim.

A number of education authorities have said they intend to dock the pay of members of the National Union of Teachers, which began a campaign of sit-downs on Wednesday, and some are taking legal advice on action against the NUT for not holding a ballot.

The NUT maintains that its

six sanctions do not breach employment contracts of teachers and do not require a ballot. This is contested by the employers but the matter has never been satisfactorily established in law.

There is, however, little doubt that the 126,000-strong NAS/UTW will be in contravention of the Act if it strikes on February 28 without holding a ballot.

Mr Bill Herron, assistant general secretary of the Right-to-Work union, said last night: "As far as the strike on the 28th is concerned, we are not balloting our members."

The strike is due to go ahead if, as expected, teachers' pay talks scheduled for next Monday produce no improvement in the employers' offer of 4 per cent and arbitration. The NUT maintains that its

morning, to cause maximum disruption.

Meanwhile, education authorities contemplating deductions from pay of NUT members received a setback yesterday when one of the legal proceedings they had cited was overturned by the Appeal Court.

By a majority, three appeal judges ruled that Wakefield District Council has no right to dock the pay of Mr Henry Miles, a superintendent registrar who had refused to conduct marriage ceremonies on Saturday morning during a campaign of industrial action. The council was refused leave to appeal to the House of Lords.

The precise relevance of the ruling to the teachers' position is unclear because it was based on the fact that Mr Miles was a servant of the Crown, not a council employee.

Court bars bus station pickets

By David Brindle, Labour Staff

THE National Bus Company last night secured an injunction to prevent striking National Welsh coach-drivers picketing Welsh stations in London, Bristol and Birmingham.

This followed a day in which the National Express coach network was disrupted by more than 30 of the drivers who picketed the three terminals to draw attention to the dispute.

An eight-strong picket-line at the main London coach-station at Victoria prevented almost all services using it as drivers refused to go in or out with their vehicles. National Express moved some services to starting points elsewhere and

sent other passengers by train. At Bristol, where there were eight pickets, National Express set up a temporary coach-station elsewhere in the city and managed to keep cancellations to a minimum.

The National Welsh dispute involves about 50 drivers and began before Christmas over a pay and operations agreement. All coach services to and from Cardiff, Newport and Chepstow have been cancelled since January 27.

As the National Bus Company has feared, the strikers yesterday repeated the tactics last played last autumn by Liverpool drivers, involved in a separate

dispute, who picketed Victoria and won a speedy settlement.

The injunction was taken out in the names of the bus company's three subsidiaries which own the picketing terminals. It was awarded against the chairman and secretary of the striking drivers' branch of the Transport and General Workers Union and against the union itself.

National Bus Company officials, who are aware that the localised industrial relations framework of the industry does not fit well with the National Express network, were last night uncertain whether the pickets would return today.

Owen urges pit strike reconciliation

By Peter Riddell, Political Editor

THERE MUST be no spirit of revenge after the end of the miners' strike, as there was following the collapse of the 1926 coal strike, Dr David Owen, the Social Democrat leader, warned yesterday.

"We have not been involved in a battle," he said. "There are no parallels whatsoever in the miners' dispute with the Falklands war, and I have never mentioned the two issues in the same breath. Sadly, all the signs are that the Prime Minister does not see it that way."

He urged her to remember Lord Nelson's words on the eve of the Battle of Trafalgar, when he wrote: "May humanity after victory be the predominant feature."

D Owen said everyone knew there were going to have to be considerable pit closures over the next decade and he urged the National Coal Board and the Government to put substantial resources into the affected communities to create jobs.

"NCS enterprise created far too late, inadequately staffed and insufficiently funded—must now become the leading vehicle for the country to demonstrate its respect for the working miners."

By contrast, Mr John Birtcher, Under-Secretary of State for Industry, said at a speech last night: "The miners' strike is the last battle marking the end of the 35-year-old British civil war."

Ferry sailings disrupted by two disputes

By Brian Groom, Labour Staff

FERRY SAILINGS between Dover, Calais and Boulogne were disrupted yesterday by two separate industrial disputes. Meanwhile, Sealink sailings between Newhaven and Dieppe remained halted.

A strike by French seamen, which began on Wednesday, stopped eight return sailings of French Sealink Ferries yesterday between Dover and Calais, but four sailings by a British Sealink ship were unaffected.

The stoppage was in support of the dispute over manning levels on board the Senlac, the former Sealink UK vessel on the Newhaven to Dieppe route which is to be manned by French seamen.

Meanwhile British crews of the Tiger and the Panther, two former P & O ferries, refused to sail between Dover and Boulogne because of a dispute over redundancy notices issued to 40 ratings following the company's takeover by Townsend Thoresen.

Men were meeting last night after halting eight return sailings. Townsend Thoresen ferries between Dover and Calais and Zeebrugge operated normally. Sealink sailings between Dover and Dunkirk returned to normal after two days of disruption.

Scargill, the master tactician, surprises everyone again

John Lloyd reports

on how the NUM has gained several extra weeks breathing space

MR ARTHUR SCARGILL, president of the National Union of Mineworkers, is a master tactician—strategy, "it may be allowed, is not so much of a strength."

Both the Government and the National Coal Board believed that Thursday's NUM executive meeting would see a sizeable group on the executive forcing the national leadership to either agree to talk about uneconomic pits, or discuss ending the dispute without agreement. But Mr Scargill, as ever, was one step ahead.

He called in the executive of Nacods, the pit deputies union, for a joint meeting: he knew the Nacods leaders were concerned that their agreement with the NCB, signed last October, could be compromised by the board's demand of the NUM that it give a commitment at least to discuss the issue of uneconomic pits before talks could restart. Here were grounds to make a common cause: both unions could call for talks to start immediately for their own different reasons.

Thursdays was not an unqualified success: much was taken up with the NUM leaders attempting to persuade the deputies to call for industrial action if talks were not resumed: this the Nacods men would not do, preferring instead to keep their options open.

No-one, either on the NUM leadership, in Government or in the NCB, now expects Nacods to initiate industrial action. The Nacods men have been successful in a pay rise and many of them are being paid for going home after refusing to cross picket lines. They have no real grievance.

This leaves Mr Scargill essentially in the same position as he was before Thursday's executive: his Nacods tactic has managed to postpone hard decisions for another two weeks until it meets once more—only has changed little else.

He will no doubt attempt to persuade the Advisory Conciliation and Arbitration Service to mount a committee of inquiry, but the Government and the board will regard that with as much favour as they would a ratification, and Aces will not be able to make it run.

The choices facing the miners will be as they were before the executive: struggling on, ending the strike without an agreement, or agreeing to talk to the board on at least partly its terms. Over this weekend, many lodges, especially in South Wales, will raise the issue of returning to work as a body: that will, in turn, be discussed by a coalfield delegate conference.

There is at present no equivalence between the two sides: the miners are under much more pressure than the board. The point is, though, that the Nacods agreement being only a skeleton does offer huge scope for real bargaining for those willing to put flesh on it. The question is, either side willing?

THE "HARD CORE" AREAS: MINERS WORKING WEEK ENDING FEBRUARY 8 1985

Area	New faces this week	Not working	Total miners	Percentage working
Scotland	440	4,619	12,500	37
North-east	1,298	7,260	22,057	33
Yorkshire	1,001	4,595	40,500	13
Kent	5	5	2,108	1
S. Wales	15	379	19,400	1
Total (inc. all areas)	1,754	83,000	185,200	4

Note: areas not on chart include Nottinghamshire, Midlands, Leicestershire, South Derbyshire and North Derbyshire, where 70 per cent of miners are now at work.

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PUBLIC NOTICE

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Test case confronts Lloyd's on disciplining its members

THE DECISION by a disciplinary committee within the Lloyd's insurance market that Mr Peter Dixon, former head of PCW Underwriting Agencies, should be fined £1m and expelled from the market brings to a climax one of the more serious scandals to have erupted in Lloyd's in the past few years.

Lloyd's investigators have been studying allegations that Mr Dixon masterminded an ambitious series of financial schemes whereby nearly £40m was diverted from underwriting funds belonging to 1,525 members of Lloyd's. The money, it has been asserted, was used to benefit personally Mr Dixon and his business associates.

A web of more than 150 offshore companies has been uncovered through which the underwriting members' funds were secretly diverted. In addition, accounts acting for the underwriting members have estimated that interest which could have been earned on the misappropriated money could be £30m to £40m.

The scale of the allegations is unlike anything that has been seen in the Lloyd's insurance market or the City and poses one of the toughest challenges any investment institution has had to face. The City of London police fraud squad, Department of Trade and Industry inspectors and the office of the Director of Public Prosecutions are assessing what action should be taken.

A key report prepared by accountants Neville Russell for PCW's parent company, Minet Holdings, has been studied by

John Moore reports on allegations of high living brought to light by exposure of the PCW scandal

the Lloyd's disciplinary committee which details the main allegations about how the money was used by Mr Dixon and other insurance organisations.

Mr Dixon's benefits from the funds, according to Neville Russell, are estimated at £8.4m. Among items attributed to Mr Dixon by Neville Russell are:

- £2m on a villa in the South of France, at Cap Ferrat, owned by a company in Geneva.
- £1.8m from funds channelled to Gibraltar and used to repay back-to-back loans.
- £775,000 withdrawn from various overseas companies.
- £725,000 spent on maintaining and improving various yachts.
- £800,000 spent on investments expected to have on realisable value.
- £375,000 spent on the operation and maintenance of an executive jet aircraft.

In addition, Neville Russell has estimated that companies where Mr Dixon had an interest gained benefit from short-term loans from the funds which were repayable without interest.

Former executives in the investigations are said to have spent money from the syndicate funds as follows:

- A 15 per cent stake in the Banque du Rhone et del la Tmisse, a Swiss bank, for £985,000. Former executives of Alexander & Alexander have been alleged to control the rest.
- Production costs of £1.8m for two films, Let's do it and Last Horror Show.
- Two oilfields in Louisiana and a gas field in Oklahoma amounting to £240,000.

Mr Dixon and Mr Peter Cameron-Webb, who set up the PCW agency and was the underwriter alleged to have channelled the money offshore, invested through Swiss companies £805,000 in a French orange juice company, La Sierra Jus de Fruits.

An investment of £443,000 in Technovation EV, a Dutch high technology company which was exchanged for shares in

Synterials, a company on the unlisted British Securities Market.

- Investments in Nolton, a small British public company.
- Investments of £141,000 in two racehorse syndicates in Kentucky.
- Purchase of a 40 per cent stake in PCW's associate underwriting agency, WMD.

Investments were also made in International Reporting Systems, the Washington-based private intelligence organisation which failed in 1983.

In a 12-year period during which this expenditure was made none of the underwriting members, whose affairs Mr Dixon and Mr Cameron-Webb managed, knew what was happening.

For Lloyd's, the PCW affair has been a nightmare. The underwriting members' funds, which were siphoned off under the guise of reinvestment, were channelled to offshore companies in Geneva, Gibraltar, the Isle of Man and other centres where Lloyd's has no jurisdiction.

Lloyd's has had to rely to a large extent on investigations by others to explore the affairs of companies beyond the walls of Lloyd's and outside the UK, although the market has sweeping powers over its members. Mr Dixon has based himself in Morbella during Lloyd's investigations, which have been taking place since the end of 1982. Mr Cameron-Webb is operating from the Insurance Exchange of the Americas, the Lloyd's-style market in Florida.

Lloyd's has powers to impose unlimited fines on those in the market found guilty of infringements in Lloyd's. Penalties could be imposed which recover the full extent of any money which has gone missing. However, Lloyd's is restricted in this. Penalties of such a scale could be only imposed on irregularities which took place after the enactment of Lloyd's recent legislation, which was approved in Parliament in 1982.

Offences which took place before then may escape the rigour of such penalties. Meanwhile, the disciplinary committee's attempt to impose the largest ever fine against a member of the Lloyd's market represents an important test case. If the money can never be recovered from those at the centre of these allegations, will the committee act as a deterrent to others in the market?

THE WEEK IN THE THE MARKETS

City twiddles its thumbs

HOPES of an early cut in interest rates evaporated this week but the equity market appears to be quite sanguine about 14 per cent base rates while gilts look even more relaxed. To judge by the movements of the last few days short gilts are already discounting a fall in base rates to 12 per cent even though the money supply figures gave little reason to suppose that such a two-point cut is imminent.

Equities lacked any real conviction to go one way or the other. Prices inched ahead for a couple of days and then eased back. But that the market is going broadly sideways is fair testimony to its strength given the uncertainty in the background in terms of what has happened to sterling, interest rates and the oil price.

On a narrower perspective of underlying corporate trends, equities may be reasonably supported. Within a month the company sector will be well into its reporting season and unless there are any major shocks, share prices should derive a good deal of reassurance from profit and dividend declarations, despite the likelihood of a fair number of rights issues.

Of course the Budget is only just over a month away and traditionally the equity market is fairly steady in the few weeks ahead of the Chancellor's statement. So it looks as if the market is in for a period of relative calm though events over the coming months are bound to be influenced by what happens on the oil front. Gilts and shares are still looking on the top side on a slightly larger view, the next few weeks may yet prove to be the calm before the storm.

The bid lands

Tootal developed a hunted look last November when Entrad first disclosed its shareholding of over 7 per cent. But though the two groups engaged in behind-the-scenes talks at the turn of the year the Australian textile group managed to muddy the waters for the market by dribbling out stock throughout January. That took the edge off the Tootal share price and left some doubt as to its real intentions. The doubts were dispelled this week, however, and Tootal is now

LONDON ONLOOKER

fighting a 70p a share cash bid valuing it at £124m.

From a London vantage point, Entrad looks a rather unlikely suitor for Tootal, even though it is Australia's biggest textile and clothing group and has been fairly active on the take-over scene. Only last summer Tootal sold its 49.9 per cent interest in Bradmill to Entrad little suspecting that the Australians would bid for the whole group with a matter of months.

Mr Abe Goldberg, Entrad's chief executive, has a reputation as "Mr Textiles" on the other side of the globe but even so his company's market valuation in Sydney is only £90m. Obviously it has gathered together the wherewithal to launch a £124m cash bid but the question here is how much further the group can go.

Historically Entrad has not paid much above asset value for its takeovers and at 70p it is already 10p or so above Tootal's net worth per share. Yet Entrad has some former senior Tootal men on its payroll so Mr Goldberg probably has the inside track when it comes to assessing Tootal's possibilities. He may just be willing to pump up the goodwill element further to land a major British group with a large US exposure.

Yet the 70p price is not exactly mean in the first place. The City has been expecting a price of around £22m to £25m (against £172m) for the year just ended. Given the incentive to throw in the kitchen sink that figure might come out around £25m in a defence document. Total will also, no doubt, make something of its solid balance sheet and it could easily restore the dividend to 4p a share.

Everything depends upon the quality of the defence but an exit multiple of 9 or 10 at 70p represents a premium to the sector and the trading cycle must be pretty near its peak. Even bearing in mind the possibility of a rival bidder it would not be surprising to see Tootal's shareholders rushing for the exits if Entrad's offer was, say, 10p higher.

More Dunlop

The Dunlop saga rolls on. Yesterday Sir Michael Edwards adjourned the shareholders' meeting in order to come up with some fresh refinancing proposals. It was the first time he had faced the group's shareholders since he took office last year though he had little to offer by way of new information.

Understandably he is playing the cards close to his chest in his efforts to refinance the troubled group and keep it out of the predatory clutches of BTR. The bidder still has its offer on the table—worth 20p a share in cash—though that is now only a basis to continue the fight. Nobody believes that BTR can win Dunlop at that price.

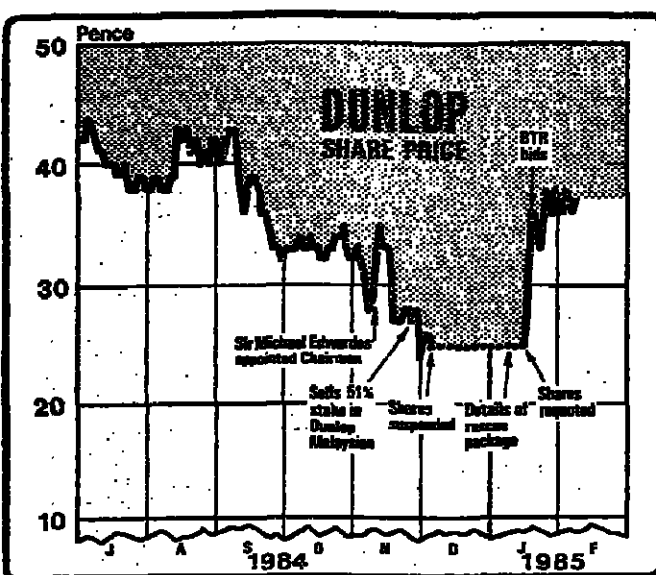
The arithmetic on BTR's notepad is anyone's dominated by Dunlop's borrowings. The price it eventually has to offer to gain control is of secondary importance, and for the present the battle is still in its tactical stages.

By adjourning yesterday's meeting Dunlop has choked off BTR's ability to upset a vote on the refinancing proposals using its 28 per cent stake in the preference shares. That gives Sir Michael a breathing space to come up with a new scheme which may be able to circumvent BTR's voting capabilities.

Dunlop had earlier won the support of its banks to continue with existing facilities until the current fight is sorted out one way or another. But BTR managed to turn the tables this week by winning the agreement of the same banks to continue supporting Dunlop if BTR gains control. Exactly what financing proposals have been agreed is still a closely guarded secret but the important point is that the bankers have basically withdrawn to a neutral point on the battlefield. It is now up to Dunlop and BTR to make their cases and for Dunlop's shareholders to decide.

Wrong component

The story about the maturity of the electronic components demand cycle is so old that it is growing whiskers but still that did not prevent the market topping almost a tenth off Unitech's market worth on Tuesday when the chairman made a cautious remark about the outlook in his interim statement.



Half time profits showing a rise of a third to £7.44m pre-tax were admittedly at the bottom of market expectations, but it was the statement that the rate of increase in new orders and sales was slowing down which caused so much damage to the share price. Given that the City's analysts, and the companies in the sector themselves, have been predicting for many months that the top of the demand cycle was upon the sector, the fall in Unitech's price looks well overdue.

But the setbacks of 1981 and 1982 are still fresh in investors' minds and the fear is that a substantial downturn in semiconductor demand will drop the company flat on its face. In reality the component cycle may be at the top but it is not in immediate danger of total collapse and Unitech is not the company it was in the last downturn.

Falling prices in the component market are a fact of life for the distributors. In recent months the pressure has increased on commodity type products. Part of the reason for soggy demand can be found in the personal computer market which is suffering from weak sales. Just look what has happened to Acorn. A year ago the Cambridge computer manufacturer was the market's darling.

This week it had to suspend its shares at 28p (they reached 198p last summer) as it takes steps to "reorganise its affairs."

At the moment many in the industry see the current weak demand for components as no more than an "inventory adjustment" by its customers. The buyers believe prices will fall further so there is no point ordering today what can be bought for less in a few weeks time. Such "adjustments" cause the distributors a certain amount of pain but it is not traumatic.

That does not mean that chronic oversupply will not hit the sector in the future. It is impossible to predict accurately but most guesses put the next big downturn in the market about two years away.

Even when any shakeout comes there are reasons to suppose that Unitech will not be as badly hit as many of its contemporaries. Its operations now are of much higher quality than they were at the beginning of the eighties and its exposure to semiconductor distribution is limited to something less than a fifth of total activity. Come the downturn in demand Unitech's profits might still be able to hold steady while others are falling.

Terry Garrett

The bullish surge goes on

NEW YORK WILLIAM HALL

"AS JANUARY goes, so goes the year," is a bit of old investment folk lore that still carries a lot of weight on Wall Street. So the market's 75 point flog in the first month of 1985 was the sort of "buy" signal which has sent the smaller investors pouring back into the stock market.

Merrill Lynch and Shearson Lehman, two of the biggest U.S. brokerage firms, felt that the January indicator was sufficiently important that they singled it out in their latest market letters to customers. Market gains in January are usually followed by gains over the balance of the year. The market's performance in the first month of the year "was particularly auspicious" in Merrill Lynch's view.

Investors appear to have taken the hint. This week U.S. share prices for the most part have continued their upward march, despite signs that the market was overdue for a correction. At the end of last week, the January rally appeared to be losing its momentum and on Friday for the first time in 26 days declining shares outnumbered advancing shares, breaking a winning streak which has broken all records in terms of the breadth of the market's advance.

However, in the first four days of this week, advancing shares continued to outnumber declining shares, and the broader-based stock market indices continued to post fresh peaks, as did the Dow Jones transportation average. Turnover remains unusually heavy with the New York Stock Exchange trading volume topping 100m shares for 21 consecutive trading sessions.

Once again it has been the smaller capitalised stocks which have been leading the market upwards rather than the blue chips. By Thursday evening the NASDAQ composite index, which tracks the over-the-counter stocks, was registering a 16.1 per cent gain on the year to date, more than double the rise in the Dow Jones industrial

average. Meanwhile, the New York composite index was showing a 9.1 per cent gain.

The credit markets by contrast have not shared Wall Street's euphoria this week. Most analysts have come round to the view that the Fed has now tightened its grip on monetary policy to curb an excessive growth in U.S. money supply. The only question is how much? Long-term bond yields, which had looked like breaking below 11 per cent only a fortnight ago, have since risen by 35 basis points and are now close to 11 1/2 per cent.

The weakness of the credit markets this week was partly due to a poor response to a big U.S. Treasury refinancing package. Analysts had been expecting that the Treasury would be able to get away with an average yield of around 11 per cent on its new 30-year bond. In the event the average yield was 11.27 per cent, which sent bond prices tumbling and by Thursday evening long bond prices were showing losses of a point or more, for the second week running.

The behaviour of the U.S. credit markets over the past fortnight should have sent a cautionary signal to the stock markets since the rise in fixed interest rates is likely to reduce the attractiveness of equities. Another cloud on the horizon is institutional cash, which is said to be unusually low at the moment, and could limit their ability to fuel the rally.

There are some indications that the big institutions have been switching part of their bond portfolios into equities. However, the return of the small investor, many of whom are running down their money market funds, appear to be the

major factor in the current stock market boom.

Up and down Wall Street it is hard to find anyone who is not bullish these days. Most advisers have taken it for granted that the Dow Jones industrial average will break through 1300 and there is a fair sprinkling of optimists who argue that the 1400 level will also be broken this year.

Even some of Wall Street's most renowned names are putting their seal of approval on the current stock market boom. Last weekend, for example, Mr John Whitehead, who has just stepped down as the co-chairman of Goldman Sachs, one of Wall Street's best managed firms, was in a very bullish mood.

Standard & Poor's 500 average, which has already risen by close to 10 per cent this year, will be up by another 10 per cent or more by year end, Mr Whitehead forecast. This would put the S & P 500 just under 200 and, assuming the same sort of rise in the Dow, would push the stock market's best known barometer above the 1400 level.

He is also betting that long-term bond yields will drop by a further point to 10 1/2 per cent by year end, and prime rates (currently 10.5 per cent) will end the year "well below 10 per cent." He does not expect the U.S. inflation rate to increase and is forecasting that real GNP will increase by more than 5 per cent between the end of 1984 and the end of 1985.

Wall Street appears convinced that the recent upturn signals the return of the bull market, not a seasonal flash-in-the-pan rally.

MONDAY	1290.08	+12.36
TUESDAY	1285.23	-4.85
WEDNESDAY	1280.59	-4.64
THURSDAY	1298.08	+9.49
FRIDAY		

MARKET HIGHLIGHTS OF THE WEEK

	Price	Change	1983/4	1984/4	
	Ytd	on week	High	Low	
F.T. Ord. Index	988.5	+11.0	1,024.5	755.3	Hopes of cheaper credit shortly
F.T. Gold Mines Index	-484.5	+2.5	711.7	439.5	Rand improves against dollar
A.B. Electronic	425	-52	555	366	Fears about Acorn Computer
Body Shop Int'l.	675	+120	675	145	Chairman's bullish annual review
Bullough	470	+42	470	234	Good results/rights issue
Debenhams	214	+24	222	141	Hanson Trust bid rumours
Falcon Resources	475	+71	522	85	Colorado drilling hopes
Flextech	92	+29	140	53	Excellent interim results
Halstead (James)	77	-15	109	59	Bid hopes fade
Imperial Group	215	+21	217	134	"Ho-Jo" sale hopes/int. Thurs.
Jaguar	340	+37	340	170	Dollar earnings potential
Martin (R. P.)	405	+66	420	220	Bid approach
Pauls	365	+112	375	197	Bid from Harrisons & Crossfield
Pilkington Bros.	321	+36	350	213	Broker upgrades profit forecast
Thorn EMI	454	+34	700	375	Rumours of consortium bid
Tootal	77	+13	80	38	Bid from Entrad
Unibond	220	+85	220	100	Bid from Beecham
Unitech	250	-45	310	204	Disappointing interim figures
W. W. Group	185	-25	230	130	Bid discussions aborted
Westland	106	-20	189	106	Worries about order position

The money men go for quality

THE USM should offer a feast of new issues to investors in the coming months.

The leading sponsors indicate that together they are likely to bring as many new companies to the junior market this year as they did in 1984.

And there should be a bigger choice for investors—the issues on the sponsors' books come from a broader range of industries than before. Food, textile and building companies are lining up alongside the once-predominant high-technology stocks.

These companies often will be older and larger than the typical USM offering of the past—with, perhaps, slower growth prospects but much less risk of hitting trouble on the way. Roger Abraham, a partner with Simon and Coates—one of the USM's most prolific brokers—says: "A lot of companies came to the market growing at 30 or 40 per cent a year. Now, there will be more solid companies growing at 15 per cent in good traditional sectors."

It is not that brokers are turning away all computer technology stocks; but the sentiment running against computer stocks is so strong, particularly in the wake of this week's suspension of the shares of Acorn Computer, that new issues in the sector are being held back. Sinclair Research, Sir Clive Sinclair's computer company, which this week announced the postponement of its planned flotation, is only the latest group to be affected.

Part of the problem, illustrated graphically by Acorn, is that, even companies which come to the market with a good track record and good initial prospects run into trouble. In the past week, the shares of CPS Computer have fallen 30p to 125p following the announcement of its first annual results as a USM-quoted company. The market was less interested in

Unlisted Securities Market

the fact that pre-tax profits had more than doubled than in a warning about supply delays. The blight on computer stocks did not, however, prevent Synapse, a software maintenance company, from achieving a good premium when it joined the market on Monday. Placed at 174p, the shares had risen to 220p by the end of the week.

Memcom International, an electronic filing company which has graduated from the over-the-counter market, was received less warmly—but still ended the week at 800p, above the closing OTC price of 295p.

As the table shows, these companies are just two of the eight to have joined the USM so far this year. It is a sign of the underlying demand for new issues that two companies Consolidated Tern Investments, a South Glamorgan-based property, building and plant-hire group, and Optometrics, which makes optical components—failed to achieve a premium.

Consolidated Tern was seen by investors to be priced expensively, on a multiple of just

USM FLOTATIONS IN 1985

Company	Placing price (p)	Trading at (p)
Bennett & Fount	140	141
Bluebird Toys	73	99
Consolidated Tern	105	104
Memcom Intratral	295	300
Optometrics	55	48
Spafax Television	68	95
Synapse	174	220
Whitworth's Fd. Gp.	95	125

under eight times historic earnings per share, for a construction company based in an economically depressed area. Optometrics suffered because the market often looks for graduates from the OTC already are well-priced.

The best premium so far—45 per cent—has been achieved by Bennett and Fount, a distributor and retailer of electrical and kitchen equipment. It is typical in some ways of the older companies which are likely to become more common on the USM—founded in 1924, it has a record of solid, if undramatic, growth.

Another popular issue was Bluebird Toys, maker of the Big Yellow Teapot and other toys for toddlers and young children, which has shot to a premium of more than 20 per cent since dealings began on Monday. Investors are attracted by the lifetime's experience in the toy industry of the company's founder, chairman and chief executive, Torquil Norman.

The general success of these issues, often at demanding prices, is reassuring for companies joining what is a very volatile market. Brokers agree that choppy conditions make it difficult to price issues, but have not staunch investors' demand for the flow of new companies.

Perhaps only disaster would do that. Martin Gibbs, partner in charge of corporate finance at broker Phillips and Drew, says: "If the market were to crash by, say, one-third, then people would wait."

In the meantime, it is the quality of individual companies which will matter most on the USM. One merchant banker said: "Investors are more interested in the USM than ever before, but they are far more choosy about which companies they back."

Stefan Wagstyl

EUROPE

The investment opportunity for 1985

"For 1985, there is a strong accord among the professional tipsters and fund managers that the safest gains are going to be made much nearer home—in Europe"

Daily Telegraph, 12 January 1985

Over 1984 the Madrid bull market notched up an index increase of +43%. In the performance league table published by Investors Chronicle, other European Markets also performed strongly over 1984.

1 Spain	+57.4	7 Netherlands	+22.2
2 Hong Kong	+54.4	8 UK	+18.2
3 Japan	+35.8	9 Italy	+17.1
4 Norway	+26.1	10 USA	+14.4
5 Belgium	+25.9	11 W Germany	+11.4
6 France	+22.6	12 Australia	+11.5

(Source: Investors Chronicle figures to 31/12)

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Oppenheimer, which manages worldwide funds amounting to more than £6,000,000,000, launched its European Growth Trust in September 1984 and already the price of units has climbed by more than 28.4%. Now, as the above information and press comment indicate, the story of growing industrial and commercial strength in Europe seems set to continue.

**offer to offer price 5.984-5.285*

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Spain	10.4%	Cash	19.5%
Norway	6.6%		100.0%

The Trust will be actively managed to take advantage of the wide variety of opportunities that Europe presents. Remember, however, that the price of units may go down as well as up and that unit trusts should be considered as medium to long-term investments.

HOW TO INVEST

To invest in the Oppenheimer European Growth Trust, simply fill in the Application Form and send it, with your cheque, to Oppenheimer Trust Management Limited, Department 11, Mercantile House, 66 Cannon Street, London EC4N 6AE. Alternatively, you can contact our dealing room on 01-236 3885 and give them your instructions direct. They will also be pleased to answer any questions you may have. The minimum investment is £1,000. There is a 5% initial charge which is deducted from the amount subscribed and a 1% annual management fee (plus VAT).

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*I am/We are over 18 years of age.

Surname (Mr/Ms/Ms)

Forenames (initials)

Address

Postcode Day Tel:

Signature Date

Please tick if you wish to receive further information on:

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(Please delete where appropriate.) (In the case of joint applications, all must sign on a separate sheet of paper.)

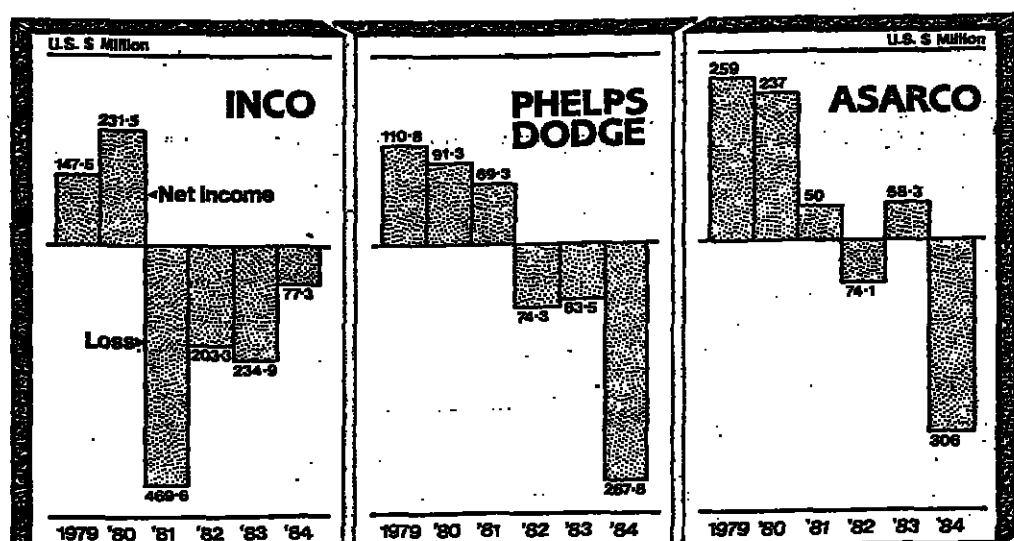
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Not over yet, over there

BY KENNETH MARSTON

"NOT a pretty picture," you might well say as you look at the charts at the foot of this column which show how the big transatlantic metals and minerals companies have suffered in recent years. Indeed, the wonder is that they can still stay in business at all after having taken such a beating from weak metal prices.

Asarco, for instance, has announced this week a huge loss of \$236m (currently equal to about £122m) for the fourth quarter of 1984. It makes a total loss for the year of \$306m, or \$12.56 per share, compared with a net profit of \$58.3m in 1983.

As much as \$216m of the latest loss has resulted from the writing down of the value of assets such as mines and smelters which are being closed. Similarly, the copper-producing Phelps Dodge, which lost \$267.3m last year, wrote off \$195m from its assets which include those being sold.

Then we have had the diversified Ammax natural resources company plunging heavily into the red in the fourth quarter of 1984 with a net loss of \$259.4m. Of this, \$206m reflected a provision for losses on property and investments made up of a write-down of \$195m for the agricultural chemicals business and \$11m for the copper facilities.

After earning a net \$21.1m for the first nine months of the year Ammax has thus come out with a net loss for the full year of \$238.3m, albeit less than the loss of \$489m sustained in 1983

when the pre-tax operating profits were smaller.

Unlike their foreign competitors, who gain on the conversion of revenue from sales made in strong dollars into the lower-valued domestic currencies, the U.S. companies have to live with low dollar prices and high interest rates. The going could hardly be tougher for them and yet demand for most metals is good.

The trouble is that there is just too much metal production capacity around. It was built up largely during the 1970s in the expectation of a big surge in demand for metal—remember the warnings of the world running out of minerals?—that has not happened yet. Until it does the companies can only concentrate on getting their costs down and hoping for the best.

This, they are doing and a good example is Canada's nickel-producing Inco which has been able to produce a quarterly profit of a relatively modest U.S.\$4.5m—for the first time in three years. It still leaves the group with a net loss for 1984 of \$77.3m, but that is a lot less painful than the loss of \$234.9m sustained in 1983.

The transatlantic majors may be down, but they are not yet out. They will now be planning hopes on the continued erosion of the world's surplus stocks of metal which eventually should lead to better prices. At least most of these metal prices appear to have stopped falling and some, such as nickel and copper, have started to pick up.

● Selstrut Holdings, the 75.4 per cent-owned loss-making Australian mining subsidiary of

British Petroleum, is to be placed into liquidation, just as BP warned would happen if the minority shareholders in Selstrut rejected BP's restructuring proposals for the company.

Smarter, perhaps, after the rebuff from the minority shareholders of Selstrut who rejected the oil giant's plans for their company, BP has said that the return to them from liquidation is unlikely to match that offered under the previously rejected scheme of arrangement which included an offer of 54 cents (about 37p) per share of Selstrut.

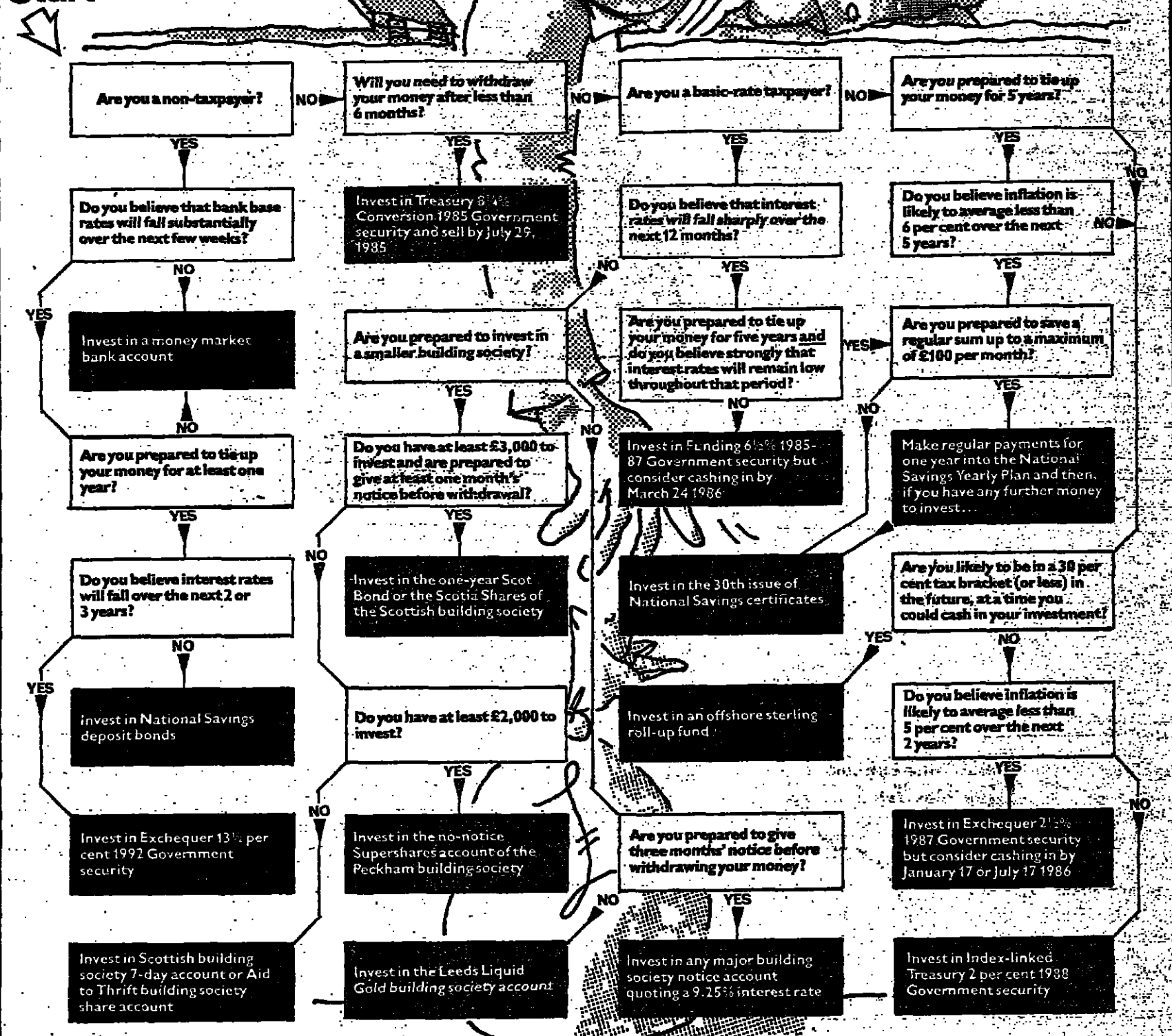
Still, BP has deferred calling its loans to Selstrut which will allow the latter to go into voluntary liquidation and thus hopefully, get a better return for shareholders than would be the case in a compulsory winding-up. The idea is that the company can be sold as a going concern.

Whatever the outcome, the manner in which BP has conducted the whole affair has been seen as heavy-handed by many Selstrut minority shareholders, both here and in Australia. It may take more than corporate image advertising to persuade them ever to become investors in BP.

● Gold Fields of South Africa has lifted half-year earnings by 18 per cent to R77.5m (£37.6m) and raised the interim dividend to 40 cents from 36 cents. The good performance reflects the high gold price in rands received by the group's mining investments. But exchange rates cut both ways and the latest result leaves the London parent, Consolidated Gold Fields, no better off than a year ago.

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*The rate may vary. *Tax-free interest for basic rate taxpayers.
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The attractions of having a gilt complex

THERE HAVE been so many fluctuations in interest rates over the past seven months that a variety of anomalies and due to be redeemed over the next year is higher than longer-dated stock, reflecting the view that interest rates are more likely to fall than rise in the longer term.

The changes have generally favoured those who have not locked away their money in long-term accounts but have retained the freedom to move it around. On most savings accounts now, real interest rates are at

Recommendation	True interest rate (net of basic rate tax) %
Building societies	
Scot Bond	10.65*
Scotia Shares	10.39
Scottish 7-day	9.38†
Aid to Thrift	9.33
Peckham	10.19
Leeds	8.75-9.00
National Savings	
Deposit bonds	12.75‡
30th issue cert.	8.85§
Yearly Plan	9.28§

* Three months' notice. † £100. ‡ Gross rate from March 13. § Tax-free.
Source: Building Society Choice, Rattleden, Suffolk.

their highest levels, after adjustment for inflation for 50 years. But the upward trend which has coincided with the fall of sterling has been running out of steam at least temporarily, over the past 10 days. Yesterday, the Building Societies Association decided after a marathon meeting not to recommend an increase in the mortgage rate or in the basic investment rate—at least not yet. Nevertheless, for the basic-rate taxpayer, the interest rates now on offer cannot be matched elsewhere, as is shown by the decision tree above.

Once again, the differentials between the rates offered by the building societies have widened as they did last September, although the largest five societies have retained identical rates in most of their accounts. The only major drawback in depositing your money with a small society is that you will probably have to send off a cheque in the post and communicate by letter rather than by calling in at a local branch.

There is no prospect of mortgage funds being rationed in the near future so most savers need no longer feel obliged to stay loyal to one society in the hope of receiving favours later. There is a slightly higher risk that a small building society may default and be unable to repay you but, provided the society is in the BSA protection scheme, this should not be a major worry.

However, for all those who have to find a home for their cash for just a few months, short-dated Government "gilt-edged" securities may offer

higher returns, according to Phillips and Drew. Unusually, the redemption yield of gilts due to be redeemed over the next year is higher than longer-dated stock, reflecting the view that interest rates are more likely to fall than rise in the longer term.

The decision tree recommends the Treasury 8 1/4 per cent Conversion 1985 gilt, assuming you can avoid any tax on your returns by selling before the next dividend is due. But there are two provisos. One is that the capital gains you are guaranteed to make by holding the gilt do not push your total gains (after inflation adjustment) above your annual exemption from capital gains tax. For 1985-86, the exemption will probably be £5,900 although the Government may change the rules in next month's Budget, probably in your favour.

Second, there is a slight risk that the Inland Revenue could seek to subject your gains to income tax. But it rarely does so if you have adopted such tactics as a once-only operation.

For the higher-rate taxpayers, other gilts also have attractions. The 1988 index-linked stock, whose cheapness was publicised on these pages in September, has now risen sharply in value. But it may still be worthwhile buying if you think inflation is likely to average 5 per cent or more, or, as the lowest-risk option, if you have no idea what is likely to happen to inflation.

If you buy either of the other conventional gilt-edged stocks, you could boost your post-tax returns by selling shortly before one of the six-monthly dividends is due (on which income tax is payable). Note also that if you

hold the gilt for more than one year, your gains will be entirely exempt from capital gains tax.

Of the stocks recommended, the Funding 1985-87, the Index-linked 1988 and the Exchequer 1992 gilts are on the National Savings Stock Register and may be bought through the Post Office. The commission charges are then lower for purchases of less than about £10,000 and also no tax is deducted at source from the dividends. Increases in the rates of National Savings products were announced two weeks ago to make them competitive, particularly for higher-rate taxpayers.

The new 30th issue of the certificates will be on sale on Wednesday.

The highest rates of interest are now being quoted by the money market bank and trust accounts (see page 27). But investors have to pay tax at their top rates on the interest and the interest rates themselves will fall if the banks' base rates are cut. This remains likely as both the interbank rate and the yield on short-date gilts have remained consistently lower than the base rates over the past two weeks.

Clive Woffman

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YOUR SAVINGS AND INVESTMENTS

Fund managers: Mr Richard Smith When advice comes with cash backing

IT CAN be dangerous to devote too much of your attention to picking out the hot stocks just before they move. A few distractions and other responsibilities are often helpful.

So says Richard Smith, who runs the fourth-most successful UK unit trust in the five-year performance tables, Henderson Special Situations.

Smith's job requires him to seek out companies in special situations, at their launch on the stock market, under the threat of a takeover or undergoing a major reorganisation. But Smith is glad that he has to manage at the same time three other more general UK unit trusts and two investment trusts.

Hunting for shares that are likely to shoot up in value over the short term can be fun, he says, but it may also tempt you into buying and selling too often. Instead, he buys special situation shares only when he comes across them without spending all his time trying to grasp opportunities that may not really be there.

Not all of the Special Situations fund is invested in classic special situations. The portfolio is built around a core of smaller companies, capitalised at less than £75m, held for the longer term.

This core will typically be around 30 to 40 per cent of the value of the whole fund. But as the unit trust has grown in size this proportion has fallen. "Although you take the long-term view, you have to be aware of marketability," Smith says. Large stakes in small companies can be hard to sell in a hurry.

In this category Smith looks for companies in lines of business where there are no stock market alternatives and which have particularly strong managements.

As examples of such unique businesses, he picks Juliana's Holdings, the discotheque group, and auctioneers Christies. "There's always quite a high premium on a unique company," he says.

For management, Smith singles out Cray Electronics, the first company he visited after joining Henderson. "Your personal impression of the managers is a fair share of your decision to buy or sell," he says.

In smaller companies so much depends on the management. More recently, he has been impressed with the financial software company Brikat, which is traded on the Unlisted Securities Market. "They have an extremely good product and they're good at marketing it," Smith says, his confidence confirmed when they received a seal of approval from IBM.

But management is also essential. Smith was willing to back Dee Corporation largely on the strength of its chairman, Alec Monk.

Dee used to be considered an income stock, but Monk embarked on a series of takeover bids, and produced steadily increasing profits. "We were prepared to back the man," Smith says. He still has Dee shares in the portfolio, though the holding has been reduced.

The Special Situations fund's largest holding is now in Dixons, which recently won its battle to take over Currys. "On the day the bid was announced



The man who puts his own money where his mouth is: Richard Smith

we bought shares," Smith says, "in the belief that if successful it would be a very exciting company."

If the takeover went through, Smith reasoned, the combined group would be of a size where its shares would be essential to every major institutional portfolio. Even if the bid failed it would focus investors' attention on Dixons.

Smith will also from time to time invest a portion of his portfolio around an out of favour industrial sector, picking two or three stocks because he likes the outlook for profits in the sector. Recently, the fund has been heavily weighted in the health and household sectors because of what he sees as their certainty of profits growth.

But there is no rigid formula that Smith uses in constructing his portfolio. "If you are too mechanistic I don't think you will get the outperformance you are looking for," he says.

He may look for gains of 20 to 25 per cent on his short-term investments, and 100 per cent

from longer term holdings, but does not adhere rigidly to these targets when deciding whether to sell.

Similarly, he pays some attention to technical indicators, such as the overbought/oversold statistics on the Dogfox information service run by stockbrokers Scrimgeour Kemp-Gee. This gives an idea of when a share has been bought or sold too heavily and its price has moved away from its trend line, but only temporarily.

Smith uses this technical indicator only to decide on timing a share purchase when he has already made up his mind on other grounds, to invest in a company.

In the long run Smith aims to outperform the FT All-Share index. When he does not—as happened in 1984 due to disappointments like Amstrad and Polly Peck—"a fair bit of soul-searching" goes on.

And pocket-searching too, for Smith invests personally in all the funds he manages. "It concentrates the mind wonderfully," he says.

George Graham

A matter of credit where none is due

Bank errors in your favour don't work according to Monopoly rules. Harold Baldwin explains

SCHOOLBOY Maxwell Harvey last month set a record for capital appreciation when he invested a small amount in a Barclay's Super Saver account in Putney, London. His latest statement showed a balance of £20,415.08 whereas he calculated the correct figure to be £11.

Being an honest lad he pointed out the error to the bank, but he must have been tempted to draw a few hundred pounds to buy the computer he wanted. Had he done so, would he have got away with it?

Unfortunately not. Where over-crediting occurs you can only obtain a legal right to the money if you honestly believed that the entries on your statement were correct and you altered your finance in consequence. In one case involving Lloyds Bank dividends had been incorrectly credited to an elderly woman's account over several years. Statements had been sent to her and it was held that she had genuinely relied on the balances shown and spent the money. The bank was unable to recover the loss. It might have stood a better chance if the customer had been somebody in business.

Naturally, the bank must rectify the matter immediately if it debits your account with someone else's cheque, or a forged cheque, or fails to put a credit of yours to your account. If it reduces your balance in error and then returns one of your cheques or fails to make a payment in accordance with your instructions through lack of funds it could be liable to a claim for breach of contract or libel or both. Where a non-trader is involved, however, breach of contract damages are likely to be nominal.

Banks encourage customers to check the items and balance on their statements as soon as possible after they receive them. It is a sensible practice, but there is no legal obligation involved. Even a note on the statement that the customer should advise the bank of any errors is not legally binding and in no way takes away your right to dispute the validity of an entry at a later date.

Considering the huge volume

of transactions involved, banks make relatively few mistakes and in most cases they are settled amicably. Sometimes they make themselves look silly, as when one bank recently debited their customers twice with their monthly standing orders and direct debits. Colossal blunders of this nature are usually found quickly.

Individual credits where the paying-in slip has been incorrectly completed are more difficult and worrying. Credits paid in at branches other than where the account is maintained are particularly troublesome. Normally, the credit should reach the appropriate branch three days later, but if the account holding branch has not been specified correctly the funds are in limbo-land. Banks issue regular circulars to all their branches listing these homeless credits, but in the main they have to rely on the customer reporting a missing item.

A bank cannot be held liable for a customer's negligence. For example, if you write a cheque in such a careless way that the amount can easily be altered, say by adding another nought, any loss incurred will be yours. On the other hand a bank is liable if it does not act strictly in accordance with your instructions in any matter. For example, by not cancelling or amending order, paying the funds to the wrong person, or amending your instructions without your authority.

A miscalculation of interest charges sometimes occurs if the wrong date or rate of interest is fed into the computer. It is often difficult to check the charge accurately, because banks programme their computers to show two daily balances—the uncleared balance, which is the one appearing on your statement—and the cleared balance.

Interest is charged on the cleared balance which is not seen by the customer. Nevertheless, it should be possible for you to arrive at a figure close enough to the bank's to be sure that no serious error has occurred.

Automatic cash dispensers are not immune from errors although banks say that the risk is small. It is essential to keep a record of the amounts and the dates that you withdraw funds.

When dealing with cashier count your cash before leaving the counter. The cashier will not feel insulted. You may save him a lot of time and worry. I speak from experience.

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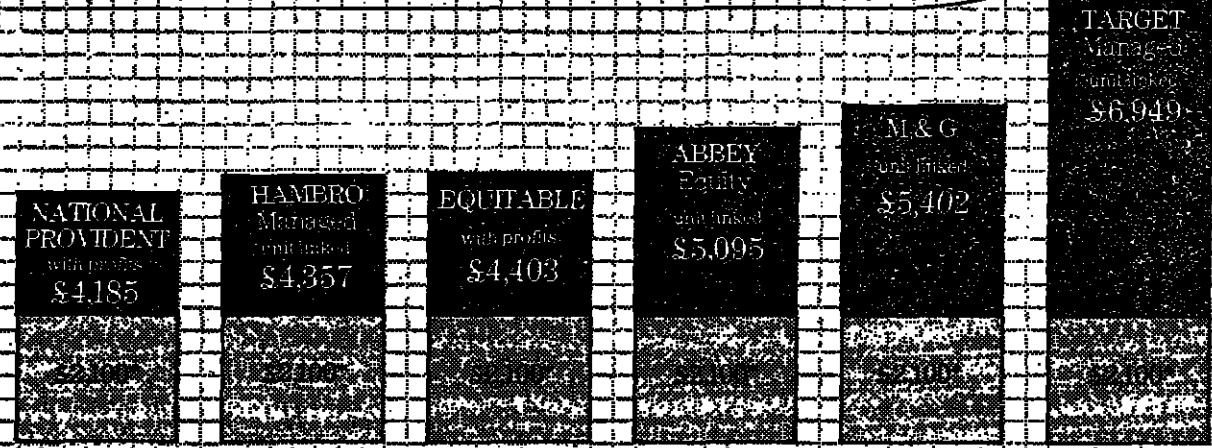
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Executive Pension 1984 (Published by the Financial Times).

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The table above compares the actual results of an investment in the Target Personal Pension Plan - linked to the Target Managed Pension Fund - with five of the market leaders in individual pensions.

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FT/09/02

The Throgmorton Trust

Preliminary Statement
for the year ended 30th November, 1984.

Excellent growth

- Gross revenue up 20% from £7.43m to £8.98m
- Net asset value up 26%
- Final dividend of 4.75p brings total to 7.5p — an increase of 15%
- Total return up 29%

"The strategic acquisitions and portfolio reorientation made during the last two years, including expansion into overseas investments, are enabling us to continue our growth from our emphasis on smaller companies. As at 31st December, 1984 the net asset value was 284.4p showing a 13 month increase of 34.6%."

Derek Ezra, Chairman.

Throgmorton Investment Management provides institutional clients and pension funds with skilled investment management in a number of specialised areas with particular emphasis on the small companies sector. The success of our specialisation in small companies is demonstrated by the performance of The Throgmorton Trust. For a copy of The Throgmorton Trust Annual Report or further details of Throgmorton Investment Management's services, please complete the coupon below.

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FT 225

The Winterbottom Energy Trust PLC

Summary of Results for year to 30th November

	1984	1983
Total assets at market value	£27,230,628	£22,067,802
Debt and bank loan	£2,163,202	£1,683,859
Total net assets	£25,067,426	£20,383,943
Ordinary shares:		
Asset value	101.9p	82.4p
Earnings	1.56p	0.83p
Dividend	1.55p	0.80p

Geographical distribution of investments

	%	%
United States of America	61.0	89.9
Canada	—	0.4
United Kingdom	3.1	6.2
Australia	—	3.1
Total investment portfolio	64.1	99.6
Short-term U.K. Gilt	17.6	—
Deposits	15.6	1.5
Net current assets	2.7	(1.1)
	100.0	100.0

Points from the Annual Report

- Asset value per Share rose by 23.7% to 101.9p.
- The Directors recommend a dividend of 0.70p for the year, plus a special dividend of 0.85p. The total of 1.55p compares with 0.80p last year.
- We have benefited from the takeover activity in the U.S. energy sector and from the strength of the dollar.
- We intend to continue with flexible and opportunistic investment policies to take advantage of changes in energy markets.

The figures above are extracted from the full accounts which will be filed with the Registrar of Companies. These full accounts contain an unqualified report by the Company's Auditors.

Copies of the Annual Report may be obtained from:

Baillie, Gifford & Co.

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YOUR SAVINGS AND INVESTMENTS

Tax relief without high risk

INVESTORS HUNTING a tax shelter are not always keen to accept the risk attached to a venture capital fund, although it gives tax relief under the Business Expansion Scheme. But investment groups are pushing out a range of companies that take advantage of the BES while reducing the element of risk to a minimum.

There is a sense of urgency to these launches. They are not only trying to attract investors who want tax relief in the fiscal year now nearing its end, they also want to slip in ahead of what some expect to be tighter BES regulations in next month's Budget.

The BES allows you to reclaim tax at the highest rate you pay, if you invest in qualifying unquoted companies. Although the intention was to encourage the growth of high-risk businesses, many of the schemes in fact have been property development vehicles.

If land and bricks are too prosaic for you, there are BES schemes with less usual assets backing them—vintage cars and vintage wines, for instance.

Several managers running conventional BES funds in the venture capital tradition have criticised these companies as flouting the scheme's spirit. Because the value of the investment is heavily underpinned by assets and therefore secure, they have proved extremely popular with investors.

Central City Conversions, which closed for subscriptions recently, drew £5m. The licensed dealers Johnson Fry, which sponsored that issue, now has London & Bristol Developments to offer in the same vein.

It seeks to raise between £1.2m and £5m for the development of small self-contained office units for owner occupation.

The minimum investment is £5,000 and the offer closes on March 14, five days before the Budget.

Lockton Developments—sponsored by the merchant bankers Guinness Mahon—is still more ambitious. It is aiming for £7.5m. Applications must be for a minimum of £1,000, and the closing date is March 12.

The newest such scheme is Fraser House Commercial Developments, sponsored by licensed deposit taker Robert Fraser & Partners. It is looking for up to £3m, with a minimum of £1,000.

When it comes to wine, some schemes pay more than lip service to the idea of business expansion. Fine Wine Wholesalers, for instance, will at least employ two Youth Opportunity people straight away and plans later to have its own warehouse.

Mount Street Fine Wine, in contrast, will create no jobs at all. In fact, about a third of the cash raised is likely to be invested in the money market for the first year and this will provide the bulk of the early profits, according to Geoffrey Pointon, a director of the company and chairman of Pinpoint, the licensed dealers sponsoring the issue.

Pointon admits that investors are in a way being asked to take a stake in Scott's Restaurant, which will store and manage the BES company's wine stocks in return for 12.5 per cent of its net profits and a set of other charges and commissions.

It will also sell Mount Street its starting wine stocks—at least £50,000 worth, possibly as much as £200,000. That will enable the company to start this tax year on the wholesale trading activities it must demonstrate to qualify under BES.

Scott's is subscribing £50,000 for the issue straight away and has options to buy up to 5 per cent of the company at £1.25 a share. The issue price is £1.

Investors may be rushing to take advantage of these asset-backed tax shelters before the Chancellor decides to tighten up on what qualifies as business expansion. But they should be warned that it will be four months after the company starts trading before the Inland Revenue will certify that it qualifies.

And this time last year Eutra Risk Capital had to withdraw its offer of Brook Stud Company when it was informed it would not qualify for tax relief as it had believed.

George Graham

TWO DATES should be indelibly etched in readers' minds: March 19—Budget Day and April 5—the last day of the tax year. Action now, rather than later or not at all, may be to your tax advantage. Here are some points to consider.

● **Capital Gains Tax.** For the year to April 5 1985 the first £5,000 of an individual's net gains are exempt from tax. Any balance is chargeable at the 30 per cent rate. The figure of "net gains" is arrived at after deducting any losses sustained in the year. Chargeable gains may also be reduced by unused losses carried forward from previous years. But such losses (unlike current year losses) are set against current net gains only to the extent required to reduce those gains to the £5,000 exemption limit. Any balance of unutilised losses may be carried forward to future years.

Only one £5,000 exemption is available to a married couple. Losses of one spouse are normally set off against the gains of the other. But you may choose (by July 5 1985) to treat the losses of one spouse separately, if this enables you to obtain maximum benefit from the annual exemption.

You should review your portfolio of investments before the end of each tax year and consider whether to realise losses to set against your gains from other sales in the year, or to realise gains which will be covered by the annual exemption. Gift-edged stocks and some company loan stocks which have been held for more than 12 months are exempt from capital gains tax. Stocks bought within the last year and showing a gain should, therefore, be retained. You should, however, consider selling gifts held for less than a year if these show losses. If you want to continue holding gifts, however, you could repurchase alternative holdings, but not in the same stock.

If a disposal is contemplated for non-tax reasons, then by deferring it until after April 5 1985, the due date of payment of tax on any gain arising will be postponed for a full year from December 1 1985 to December 1 1986.

● **Income Tax.** For the self-employed (and those not in pensionable employment), qualifying premiums on retirement annuity contracts may be paid up to the maximum annual limit of 17½ per cent of "net relevant earnings" with higher limits for those born before 1934. Premiums paid are normally deducted from taxable income in the year of payment. An individual may elect, by April 5 1985, that a premium paid in 1984-85 be treated as paid in 1983-84 or, if he had no "relevant earnings" in that year, in 1982-83. If he does so, he may be entitled to a tax repayment, possibly with interest. Where premiums paid in any year fall short of the maximum allowable relief, the amount unused may be carried forward to be utilised within any of the following six years.

If a wife has earned income of at least £6,389 and the couple's joint income is above £22,793, there will be a saving if they jointly elect for the wife's earnings to be taxed separately. A final decision need not be taken as yet for 1984-85 and, if an election has already been made for that year, it can be revoked at any time before April 5 1986. An election (or revocation) for 1983-84 must, however, be made on or before April 5 1985.

The Business Expansion Scheme allows up to £40,000 invested in the share capital of one or more qualifying companies to be deducted from taxable income each year. Investments eligible for relief may be made directly in the company concerned, or through one of the business expansion funds, where managers make the investments on behalf of the individual subscribers.

But the managers must have invested in a qualifying company on the investor's behalf before April 5. Previously, it has sometimes been advantageous to close a bank deposit account before the year end and invest the money elsewhere. This could allow to avoid tax on up to one year's interest. However, from April 6 1985 bank interest will be paid "net" of tax in the same way as building society interest. This change will mean that interest paid on a long standing account during the last year, 1983-84, will not be taxed in any event and no advantage is to be gained in closing such an account. Indeed, this could be a costly mistake.

Malcolm Gammie on foiling the Revenue

Time to plan a course of action



A director of higher paid employee (grossed up at individual earnings £5,500 or more) with a company car should not put up how many miles he has done on business over the year. The scale charge on which he pays tax is increased by 50 per cent, if his business mileage is less than 2,500 miles for the year. But if it is over 18,000 miles, the charge will be halved. A business trip brought forward to April 5 before may tip the scales. Similarly, employment income from work abroad qualifies in 1984-85 for a 12½ per cent reduction, provided at least 30 qualifying days are spent abroad in the year. No equivalent deduction will be given in 1985-86 or future years. By bringing forward planned business trips he may be able to take advantage of this deduction for the last time.

If there are any payments you can make under a deed of covenant you should act now. Parents may use a deed to support their children provided they are over 18 and grandparents may support their grandchildren of whatever age more effectively in this way. A deed of covenant is also the most tax efficient means of charitable giving. To benefit from these advantages in 1984-85, a valid deed must be entered into, and payment made on or before April 5 1985.

● **Capital Transfer Tax.** The annual exemption for gifts in 1984/85 is £3,000 for both husband and wife separately. Any unused part of this exemption may be carried forward, but for one year only. It may be better, therefore, to make gifts in the current year, if no gifts were made in 1983/84. The £3,000 exemption from that year can still be used after the annual exemption for 1984/85. Malcolm Gammie is director of national tax services at Thomson McIntock.

Smoothing out the pathways to profit

ERIC SHORT explains how life insurance and pensions bonuses operate

This use of reversionary rather than cash payments has considerable implications when considering future benefits on a with-profits contract.

Life companies now generally add on a final bonus payment when the life policy is cashed in or when there is claim for a death. With pension contracts, there can be a final bonus when the pension is about to be taken. Such terminal bonus, as they are called, are a comparatively recent development.

With-profits policyholders should watch out for two distinct operations that now take place each year. The first is the calculation of the amount of profit to be distributed from the life and pension funds. The second is the application of a formula by which that profit is shared out among policyholders and, in the case of proprietary life companies, shareholders.

The calculation of the amount of profit each year is the responsibility of the actuary of the life company. This is essentially the excess of the value of the assets in the fund over the value of the liabilities. The methods of ascertaining both assets and liabilities are designed to yield a steady profit year on year rather than to fix

a theoretically precise profit figure. This means that annual fluctuations in investment returns can be smoothed out, in contrast to unit-linked life assurance where fluctuations in market values are immediately reflected in the unit price movements.

Life companies traditionally declare one specific annual reversionary bonus rate for, say, all life contracts and a different rate for individual pension contracts. This rate can be applied in three different ways.

1—A simple bonus system. Thus life policies which offer the same basic benefit on death are granted the same bonus addition irrespective of how long the contract has been in force. There are still a few life companies, mainly home service companies, using this system.

2—The compound bonus system, where the bonus rate is applied to the basic benefit and to the bonuses already declared. The effect is to add higher bonuses the longer the policy has been in force. A 25-year policy will thus be given a larger bonus than a 10-year contract.

3—A super compound system where one rate is applied to the original basic benefit and a different, usually higher, rate applied to later bonuses. This enhances the effect of longer

duration on the amount of bonus added.

It is noteworthy that Equitable Life Assurance, the original designer of the with-profits system over 200 years ago, has a reverse super system paying a lower bonus on later bonuses than on the basic benefit. This gives proportionately higher bonuses to those who hold shorter duration contracts of, typically, 10 years.

EXAMPLE OF THE SUPER COMPOUND SYSTEM

Sun Alliance Term 25 years	
Basic benefit	2,748
Accumulated bonus to 1983	4,400
1984 reversionary bonus	374
Total	7,522
Capital bonus	4,397
Maturity payment	11,919

* Bonus rate 4.1 per cent of basic benefit (£2,748) plus 6 per cent of accumulated bonuses (£4,400).
† Terminal bonus rate 160 per cent of basic benefit.

Next week: How the actuaries share out the profits.

What's up at the Bankers'?

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 - Dividend Up 9.6%
 - Forecast Dividend Up 7.5%
 - Share price at 83p Up 35.0%
- * All figures quoted refer to year ended 31st October, 1984.

Total assets exceed £92 million, with 43% invested in the UK, 40% in the USA and 11% in Japan.

Our dividends have increased consecutively for the past 17 years, but our investment objective is to maximise shareholders' total return with increasing emphasis on capital performance. To find out more, send for a copy of our latest annual report.

The Bankers' Investment Trust, PLC

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15 Dollar Money	520.09	
15 Dollar Money	520.09	
15 Dollar Money	520.09	
15 Dollar Money	520.09	
15 Dollar Money	520.09	
15 Dollar Money	520.09	
15 Dollar Money	520.09	
15 Dollar Money	520.09	
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YOUR SAVINGS AND INVESTMENTS

Alexander Nicoll looks at the opportunities in lacklustre trust shares

The tell-tale signs of a shake-up

SHAREHOLDERS in an investment trust can make substantial capital gains if the trust falls victim to what is known in the trade as "corporate activity"—that is, it is taken over, liquidated or shaken-up in some other way.

To do so, however, you either have to inherit long-forgotten portfolios of once-fashionable trust shares—or to buy the shares at the typical 25 per cent discount to the net asset value per share at which they usually trade.

Normally, trust shares rise sharply as soon as brokers and professional investors get wind that developments are likely. Smaller investors cannot get in quickly enough to make an investment worthwhile.

Nevertheless, there are opportunities for small investors to benefit from institutions' desire to shake up the sector. By liquidating investments, they aim to contract the size of the sector and bring the market value of their shares closer to the worth of trusts' underlying portfolios.

But the astute private investor can watch for tell-tale signs which herald the onset of "corporate activity" and then buy up the shares before a takeover victim. What follows is a guide to what to look out for. Note that these are simply hints and by no means infallible ones. Most trust shares will continue to languish at a wide discount to net asset values.

● **Investment performance.** Paradoxically, the worst performing trusts may turn out to be the best investments. Persistent lacklustre showing in terms of net asset growth naturally tends to be accompanied by a sluggish share price as well as low dividends, and institutions are less and less willing to tolerate this. Thus they are likely to be open to approaches from potential bidders for the trust, ready to support management changes, or keen to see the trust liquidated—enabling them to realise close to net asset value.

Figures showing individual trusts' performances in terms of return on net assets and share price over the past one and five years are published monthly by the Association of Investment Trust Companies. Leading stockbrokers also issue performance tables.

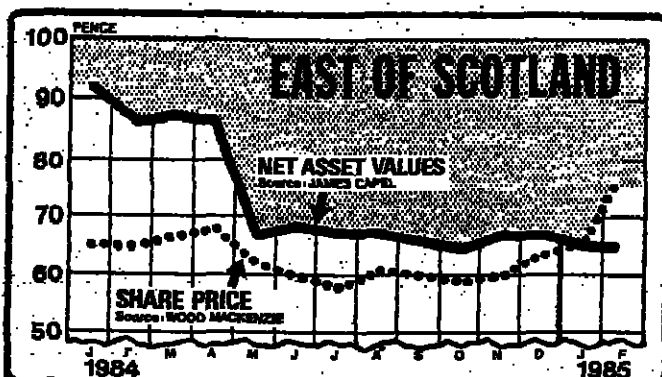
The AITC's rankings show, for example, that London Trust had the lowest published return on net assets in the five years to the end of 1984 (although its large size could deter a takeover attempt).

● **Investment policy.** The most vulnerable trusts are those with a general rather than a specialised portfolio, especially those with a high proportion of listed investments, since unlisted holdings may be difficult to liquidate at market value. General trusts often aim for growth in both capital and income, and many have been managed quite passively. Nevertheless, there are several general trusts with a respectable performance.

Institutions often feel that they themselves are capable of picking a general portfolio, and they increasingly look to investment trust managers to provide specialised expertise in a geographical area or industrial sector. However, sectors can go out of fashion, and some specialist trusts, particularly in the energy field, are now coming under pressure after several years of poor performance.

● **Management.** Trusts run by small management teams lacking specialised knowledge are the most likely to be taken over or liquidated. Institutions increasingly favour larger, growing management groups which have sufficient funds under their control to attract young, go-ahead managers.

However, you should discuss this aspect with your broker because it may be difficult for the outsider to distinguish between the smaller groups



East of Scotland Overseas, target of a bid this week, is a classic example of a vulnerable investment trust. Performance has been poor (though it says its portfolio is on the upturn); its investment policy, though specialist (energy) is out of favour; it is run by a small management group; it is itself small; its biggest shareholder is London and Manchester; its discount rapidly narrowed and disappeared last year after share purchases by the insurance group.

that are up-and-coming and those viewed as declining. Managers outside the main centres, London and Edinburgh, are examples of those under growing pressure. The Aberdeen Trust is coming under closer scrutiny from institutions and one Dundee group recently combined its operations with those of an Edinburgh company.

● **Size.** The smaller the trust's portfolio, the more vulnerable it is. It would be difficult for anyone to take on the might of, say, the Globe with over £600m of assets. Sometimes, a trust may be picked out merely because of its size, when the takeover of a trust is used by the bidder as a cash raising exercise instead of a straight rights issue. The choice of a target will depend on the bidder's funding needs. But trusts with net assets of between £10m and £50m are most likely to fall within a predator's target range.

● **Shareholders.** Often the first sign that changes are on the way for a trust is the acquisition of or increase in a stake by one of the more demanding institutions, such as the London and

furnished letting profits (assessable under case VI), and is a fundamental principle of the schedule D tax collection system.

Anticipating a share

On the death of my aunt in 1980 I became sole executor of her estate of some £60,000. She will instruct me to give the income from the trust fund to her friend and former companion, I lady in her late 90s in very good health. Thereafter to give the capital of the fund to four residuary legatees comprising my brother, my sister and myself, who are all in our 50s and a cousin who is just over 70 years of age.

During the past four years I have carried on the trust with generous administrative help from the other beneficiaries during which time my aunt's late companion has become resident in a rest home. Now my brother has written to me suggesting that in view of our cousin's age and the healthy state of the trust funds I should anticipate future events by offering a non repayable loan of say £5,000 which would be deducted from his future entitlements in due course. Meanwhile enabling him to enjoy the cash while still relatively fit. I am inclined to agree with this proposition if it is (a) legal and (b) unlikely to plunge the estate into financial difficulties with my cousin's own beneficiaries in due course. For example, my cousin predeceased my aunt's companion having spent the £5,000.

If the cousin has a vested interest (ie his right is not conditional on his surviving the life tenant) you can adopt the course which you indicate. Moreover you may have the power to make an advancement of capital to a beneficiary such as your cousin. We think that you would be wise to consult a solicitor.

Water in the pool

I have recently moved to this house. The previous owner built a swimming pool and operated it for a while before selling the house to me. I have discovered that he did not declare the existence of this pool to the water authority. I gather that the pool is of such a size that a water meter needs to be installed with a cost payable to the water authority of around £150. Am I liable for this cost or can I suggest to the water authority that they claim the money off the previous owner? We think that you are liable to the water authority for the charge. Whether you can recoup it from your vendor depends on the terms of your contract with him.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Top 20 unit trusts.

Value of £1000 invested over 3 years to 1st February 1985*

	£	Position
Fidelity Japan	3690	1
Prolific Special Situations	3050	2
M & G American Recovery	2987	3
M & G American & General	2966	4
Prolific Technology	2790	5
MLA Unit Trust	2765	6
Equity & Law North American	2714	7
Barrington European	2703	8
Vanguard Special Situations	2658	9
Equity & Law Higher Income	2655	10
Capel North American	2645	11
EFM Tokyo	2625	12
Prolific North American	2621	13
Hill Samuel European	2597	14
Schroder Smaller Companies	2586	15
Oppenheimer International Growth	2565	16
Fidelity American	2536	17
Prolific Far Eastern	2531	18
Britannia Smaller Companies	2527	19
M & G Japan	2500	20
Out of	457	

*Offer to offer, with net income reinvested. Source: Money Management.

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Please tick as appropriate.
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Prolific
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Prolific Unit Trusts is the trading name of Provincial Life Investment Company Limited.

Rival claims of mother and lover

My son has taken out a 25-year mortgage on a house, with a young lady. They are both responsible for £15,000 each, and are now living there. He has approximately

£40,000 in savings, is in quite a dangerous job. In the event of his death, he has legally signed that his estate will clear the outstanding mortgage (ie his share).

Can the young lady claim the remainder of his estate? If, however, he makes a will in his mother's favour has my wife the prospect of obtaining a share, as it is largely due to her efforts that he is in such a sound financial position and an injustice would be done?

If the person with whom your son is living is maintained by him, she may have a claim on his estate under the Inheritance (Provision for Family and Dependents) Act 1975. Whether such a claim would succeed, and to what extent, depends on the full circumstances of the way of life and

FINANCE AND THE FAMILY

BY OUR LEGAL STAFF

financial arrangements between the two people during your son's lifetime. Subject to such a claim your wife could take it if a will is made in her favour and is not subsequently revoked. She could also have a claim of there is no valid will left and your son contracts for value to leave such a will.

Payment in advance

I think I understand the position regarding the assessment of Schedule D Case III interest to tax on the preceding year basis (and the rules for opening and closing years). I have however not

been able to understand why a taxpayer must have to pay tax on part of the interest before it is actually received. Could you please elucidate this particular point—i.e. under what circumstances one may have to pay tax on interest before it is actually received?

Case III income tax is payable on New Year's Day (despite the fact that tax collectors are not required to be in their offices to receive the payments, oddly enough). Someone who bought NSIBs last April, for example, would therefore have had to pay tax on New Year's Day on the interest which he would not actually receive until later in the current tax year. Anticipatory taxation is levied on many kinds of income, e.g.

INCOME TAX RELIEF FOR 1984/85

Lockton Developments plc

property development

Offer for Subscription under the Business Expansion Scheme of up to £7,500,000

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Lockton Developments plc will be involved principally in commercial, industrial and retail property developments.

The directors will pursue a conservative policy to achieve a secure growth of assets and provide a high degree of stability to the Company.

Individual subscribers should, depending on their circumstances, be able to obtain income tax relief at their highest rates of tax in respect of the year ending 5th April 1985.

Closing date—12th March 1985.

Telephone 01-623 9333 (24hr service) for a copy of the Prospectus or complete the coupon below.

This advertisement does not constitute an invitation to subscribe for shares.

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Smaller companies, or those recently floated or subject to takeover or merger, can enable new managements—often highly motivated by personal stock holdings—to achieve spectacular results.

The Perpetual International Emerging Companies Fund concentrates particularly on these investment areas all over the world, which the Managers believe offer outstanding opportunity.

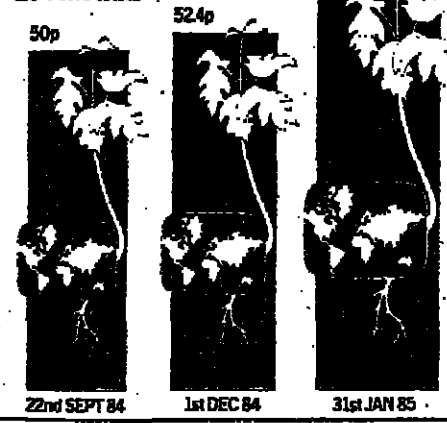
The research and analysis required is at a level that the individual investor would be hard pressed to achieve alone. Over the last ten years, Perpetual has developed a worldwide network of independent financial advisers—an ideal platform from which to identify successful emerging companies.

An exciting start

The International Emerging Companies Fund was launched on the 22nd September 1984 and in the four months since, the offer price of units had, as at the 24th January 1985, already increased by 22.6%.

Clearly this is only short term performance but it represents a healthy start to what we believe is an exciting investment opportunity. However, you should accept that unit values can go down as well as up.

UP 22.6% in 4 months



Successful international record

Over the last decade our two established international Funds have already proved to be excellent investment choices. The International Growth Fund, since its launch on the 11th September 1974, has increased an original investment of £10,000 to a current worth of £185,300, and is Britain's top authorised unit trust for capital growth over the period since launch to 31st January 1985. The Worldwide Recovery Fund, since its launch on the 23rd January 1982, has increased an original investment of £10,000 to a current worth of £22,220 as at the 31st January 1985.

N.B. Figures are on an offer to offer basis and include net income reinvested. Past performance is intended as a guide only and should not be construed as a guarantee of future success.

Special offer—act now!

Full details of this new Fund are set out in the Prospectus which can be obtained by posting the coupon below to the Managers. By investing during February you could benefit from an advantageous special offer—we will provide full details with the Prospectus.

Perpetual has currently in excess of £150m under management.

Perpetual Group

International Emerging Companies Fund

Please send me a copy of the Perpetual International Emerging Companies Fund Prospectus.

Not applicable to residents in Eire.
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16 BIT Computing

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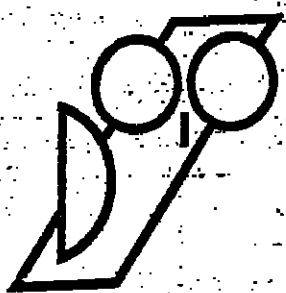
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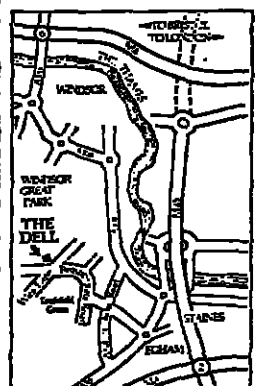
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PROPERTY

The hunt for land heats up

BY JUNE FIELD

WITH LAND, the house-builders' raw material, getting more difficult to find and more costly, to acquire, information on almost any suitable piece of ground going is being sought actively from all sources by developers.

The land does, of course, need to be in the places where people most want to live. Fewer than 20 years ago, much of the building land bought was open fields as house-buyers wanted semi-rural settings and large gardens. Now, with increasing fuel and transport costs, people need to be nearer the shops and have less garden to worry about.

Ideally, most builders would like to build on flat, open land with good ground conditions. As this type of site is getting scarcer, more and more parcels of land in urban areas which have become derelict or derelict are being re-developed. Even back gardens in the right areas are in demand.

"More land wanted" is the plea included in Temple Estates' marketing for their retirement cottages near Rochester, Kent. And land for that market means being on the flat and not too far from shops and other amenities.

Mauders of Manchester, who cover the spectrum from starter through to sheltered homes, operating on more than 25 locations throughout the north-west, say they need one site every 10 working days. In an open letter to land-owners, estate agents and professional bodies connected with building land, chairman John Mauders says that if you own one or 50 acres and want to sell by tender, auction, or private treaty, there are substantial funds available and handsome commissions for introductions.

"Every day we buy land for 11 homes," records the Trafalgar House Group's subsidiary, New Ideal Homes, in its new employee and customer journal, Forum. It says that any site of at least two acres is of interest and, in the higher-value areas of central London, even smaller sites are considered.

As Ideal Homes builds some 4,000 houses a year, even its 21-year land-bank means a constant requirement of 2,000 plots each year, or at least one scheme with 40 plots every week. (With the Berkeley Group, that Weybridge-based building company that went public successfully on acquisition of Comber last



Water views all the way at Luralda Wharf on the Thames in Saunders Ness Road, London E14. Flats face Greenwich and the famous clipper Cutty Sark across the river, and sell from £67,000 with a mortgage subsidy through Richard Reynolds, Barratt East London.

summer, Ideal is now the fifth-largest housebuilder in the UK, the USM last July, also is hungry for pieces of ground, as long as they are in a desirable location.

"Something capable of development of up to 30 units in any price range is ideal - but don't worry if it is only a single plot," insists managing director Tony Pigley (who with Jim Farrer, both former main board directors of Crest Nicholson, set up the Surrey company eight years ago).

There are other rewards for suitable information, too. "When we purchased land through an estate agent, we will almost certainly instruct them to sell any property built on the site," advises the company bookseller Why Offer Land to Berkeley Homes? which illustrates some of the high-specification, up-market property it builds on small, choice sites in Surrey, Sussex, Berkshire, Hampshire and Hampshire.

Most of the houses are of pleasing, but traditional, appearance. The impressive five-bedroom family homes I saw from about £130,000 upwards were mainly mock-Tudor, half-timbered, tile-hung and dormer-windowed or pseudo-Queen Anne with porticoed front door (although the smart new retirement flats at around £38,000 at Alexandra Lodge in the centre of Weybridge, did have a faintly Swiss chalet-air; and a one-off house in the £1m class on the plush St George's Hill estate, where I first came across the company a few years back, looked like something from a Hollywood film set).

But then, Berkeley's prospectus states quite categorically that it is not an innovator in terms of design; and there are 100 or so interior variations so that, when you visit your neighbour's home, you do not think you have wandered into your own by mistake. Things like chiming front-door bells, and an outside tap for washing the Jag are standard, but a whirlpool bath will cost anything up to £1,000 extra and a wine cellar under the double garages around £2,600.

At the moment, the target is about 150 houses a year, most of which are built to order or sell during construction. After the initial small reservation fee (refundable) £10,000 deposit is paid, with the rest on completion. The safeguard against any problems is a "caution" taken out by the purchaser on the title.

To allay any slow-down in the lower and middle-end of the market because of the increase in house-buying loans, some builders have been quick to come up with help.

Algrey Homes, Horsham, has frozen its customers' mortgage rate at 10 per cent for a year after occupation. This is in addition to its "fast-track deal" which offers discounts of up to £2,500 for an early exchange.

Barratt has introduced a cash-saving scheme on many of its 500 developments throughout the country. This means purchasers are offered a £50-per-month cut in their mortgage repayments.

Wates gives up to £2,000 discount on selected plots and Wimpey Homes has extended its three-year mortgage-assistance scheme, applying it to all new homes up to £35,000 and up to £45,000 on certain developments in London and Aberdeen.

GARDENING

Compost without the confusion

BY ARTHUR HELLER

THERE IS probably more confusion now about seed and potting composts than at any time since the John Innes formulae were published half a century ago. For 25 years from then Innes' composts reigned supreme, giving a degree of certainty that had never existed before.

The breakdown began as it became increasingly difficult to get sufficient loan of the type and quality required; and the position became worse with the great rise in price and scarcity of hoof and horn meal, an essential ingredient of all the Innes potting composts.

Meanwhile, work at the University of California had proved the possibility of using peat instead of soil as the bulk ingredient of both seed and potting composts. Peat was, and still is, available readily in Britain and Ireland; it can be standardised much more readily than loam, requires no sterilisation and is far lighter to transport.

So peat-based composts began to take over; but, though the University of California published many alternative formulae for these, little was written about them in Britain. As a result, few gardeners tried to make their own, and manufacturers remained secretive about the ingredients.

The situation has been complicated further by the arrival of new materials such as vermiculite, perlite and, most recently, polycrylamides, which are still so novel that they may be difficult to find in shops and garden centres though they can be bought direct from firms distributing them.

Polycrylamides absorb large quantities of fluid: Put a teaspoonful of granules in a jug, pour water on them and they will begin immediately to expand in a quite spectacular way, and probably come streaming over the top in a minute or so. Mixed with soil they will absorb and expand in a similar way, providing a reservoir that will reduce considerably the frequency of watering needed to keep the soil moist.

It is claimed they have no harmful effect on soil or plants and this seems to be borne out by the very small-scale experiments I have been able to carry out with a product trade-named Hydrex. This is made by Agricultural Polymers, Northwich, Cheshire, and distributed in the UK by Idealands, 1 St George's Avenue, South



Shields. Other polymers of a similar kind are Hydrotack, marketed by Nortene, 41-46 High Street, South Norwood, London; and Terra-Sorb, from 34a Hatch House, London Road, Hatch, Basingstoke.

Although vermiculite and perlite are recommended mainly as alternatives to sand to prevent soil or peat from clogging, they also hold quite a lot of water; but the functions of the two groups of materials must not be confused since polycrylamides do not make compost more porous - rather the reverse.

One of the drawbacks of peat-based seed and potting composts is that, unless specially treated, they are reluctant to absorb moisture if allowed, to become very dry. It is easy to overlook this, especially with pot plants, since dry compost shrinks and leaves a gap between the peat ball and the side of the pot down which water disappears rapidly when it is applied, so giving the false impression that it is being absorbed.

Some peat compost-makers have countered this by adding something to reduce the surface tension of the dry peat, but I have never been able to persuade anyone to tell me what the additive is.

So where does all this leave the ordinary home gardener, who wants to grow plants with little trouble and much success? I think that for the germination of seeds, the rooting of cuttings, and the cultivation of young plants for a few months, the advantage now lies with peat-based composts. All the leading brands seem to be reliable, even if it is difficult to determine what advan-

tages one may have over another. All suffer from the drawback, inherent in composts that lack the buffering effect of soil, of being able to carry only a limited reserve of plant food. After six or eight weeks of growth, you must begin supplementary feeding - and be very careful not to give too much at any one time. That means small quantities of feed every 10 to 12 days and a careful watch for any signs of leaf injury or poor leaf colour.

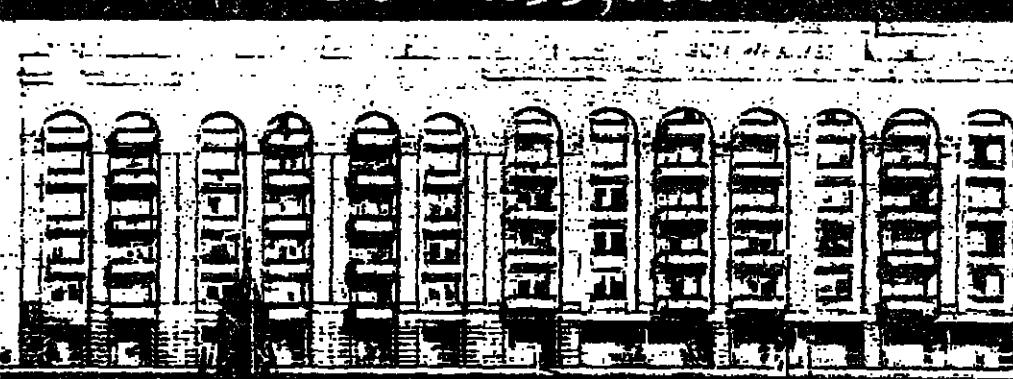
But for plants that are to stay a long time in containers, I favour soil-based composts. This is partly because they safely retain much larger food reserves and partly because they are heavier and firmer, so that plants are more likely to remain erect.

Most likely the compost will be called John Innes, but this is not a guarantee that it will contain a loan of the right quality or that it has been certified by state. It may well contain less fibre than is desirable and so quickly become more compacted than is good for plants. If I am at all suspicious of the compost on such grounds, I add extra peat and possibly extra sand or perlite.

I am, however, making more of my own composts: peat ones, with good quality sphagnum peat plus half its bulk of perlite; and soil composts, with the best soil I can find in the garden plus its own bulk of peat and half that quantity of perlite.

I add Phostrogen or one of the Chempak base fertilisers (there is one for seed compost, another for potting compost) at the rate advised on the packs, and I find that I get good results and save myself quite a lot of money. In future, I might con-

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TRAVEL

هكذا من لاصل

MOTORING

Arthur Sandles is lured by the mysterious Near East while Francis Ghiles tries the colourful cuisine

Turkish delights to titillate the tourist

IT WAS nice to see pictures of Princess Margaret smilingly collecting herself at Heathrow for her Caribbean trip this week. Off to Mustique yet again. The Grenadines owe a great deal to her. Such constant patronage does an area enormous touristic good.

Other destinations, without the benefit of royal visits, are swept back and forth by the tides of fashion. For most of us, with rather lower horizons and shallower pockets than the Caribbean in winter requires, Spain and Tunisia are "out" at the moment while Greece and Yugoslavia are definitely "in". The real travel buffs, however, are heading for Turkey.

Istanbul is definitely the entry point for the mysterious east as far as the British are concerned. It is a country whose inhabitants, quite apart from being Muslims—not a plus factor in the eyes of most western Europeans—are reputed to be hard and wild. Its territory is perceived as hardly more endearing.

Historically, the Turk has been a much feared enemy. Culturally, the land has been incomprehensible. The Bulgars were the outer limit as far as travellers were concerned, but those who crossed the Bosphorus (much less romantic in its literal translation Ox-ford), were explorers. To reach Trabzon on the Black Sea coast was a venture enough. To get as far as Mt Ararat was a triumph indeed—and still is.

The resorts on Turkey's beautiful western Mediterranean shores are today among the last unspoilt towns and beaches around that sea. The visitor is not with the madding crowd. Indeed, Turkey, with a population of nearly 50m, has only 63,000 tourist standard beds to rent—fewer than Tunisia, with only 7m residents.

Those hotels that are there tend to be small, at least by Benidorm standards. As a result, the major tour companies steer clear of the country. If you go to your travel agent and ask about Turkey, you are likely to get a blank look and, then, face a worried couple of minutes while the clerk searches for the right files.

Hotel holidays have for some time presented a problem for western European visitors. Getting from place to place has been difficult, and the hotels are notorious for ignoring booking requests from individuals.

Even today, the touristic infrastructure is very underdeveloped. The plus side of this is that the supposedly "hard" Turks are almost embarrassingly eager to welcome visitors and, provided you respect the tremendous local pride, considerable efforts will be made to make the guest happy. The minus is that there can still be tribulations, particularly as you move farther east.

But things are getting better. Until Dalaman airport—which lies between Ismir and Antalya—was opened, travellers had to put up with hours of driving on narrow roads to get to the coastal resorts (Istanbul airport itself was little more than a glorified Nissen hut until the present elegant, modern terminal was opened 18 months ago).

The rewards of such a trip were huge, however, and now that the journeys are simpler, they are even more tempting. Mile upon mile of unspoilt coast includes sand, rock and pebble. A wealth of historical sites makes the Mediterranean shoreline and the immediate hinterland of Cappadocia one of the richest cultural hunting grounds in the world. There are said to be 50,000 archaeological sites from the Greek empire alone.

The coast is dotted with old fishing ports that still are fishing ports, with all the fun and frustrations of local markets. The further east you go, the more this challenge becomes a reality. The roads deteriorate further and the lack of accommodation becomes a real problem. In Turkey's wild east, as you approach the eastern and southern borders, security becomes an intrusive difficulty.

One of the most tempting offerings to this eastern part comes late in May, when John Julius Norwich is leading a Serenissima group on a remarkable 19-day trip that promises a view of Ararat; a picnic on the Aglamar; and, one-time capital of the Armenian King A two-week trip to the Turkish



A head of Apollo at Nemrud Dag (Mount Nimrod)

Gagik I, and a Jeep excursion to Nemrud Dag and the Colossi of King Antiochus of Commagene. A mere £1,735 for a spectacular trip and one that, unlike a great many of the Turkish-organised trips, uses British Airways for transportation.

The east is perhaps not the best starting point for a Turkish visit, other than for the most adventurous. Toe-dipping in the west is much more the thing.

A typical couple of weeks in Istanbul this summer would leave you little change from £500 for a basic package (good hotel, bed and breakfast). Eating out is cheap and of a very high standard—provided you don't have too many food fads.

Riviera would cost much the same, while the Aegean coast is marginally cheaper.

Falcon Holidays now has an extensive sailing holiday operation on the Turkish coast, and is the first such company to be recognised by the Royal Yacht Association.

Falcon Holidays can be contacted through your travel agent or at 180 Camden Hill Road, London W8 7TE. Serenissima Travel is at 2 Lower Sloane Street, London SW1W 8BJ.

Independent travellers are urged not to set out without hotel bookings, particularly in the summer. The Turkish Tourist Office is at 170/173 Piccadilly, London W1V 9DD.

Beauty before brains

TURKISH CUISINE, like Arab and Persian poetry, is highly symbolic and colourful. Consider, for example: "Hunkar begendi" (the Sultan's appreciation), "Imam hayildi" (Imam's delight), "Vezir parmagi" (Vizier's finger) and "Hanım dudagi" (Lady's lip).

In this way the visitor is reminded that in Turkey there exists a language of food, and some foods are believed even to have magical powers. In some places, people do not eat brains for fear of becoming as stupid as the animal. In other areas, people avoid the hearts of birds in case they acquire their timidity.

The nation straddles two continents and is the heir to both sophisticated states such as those built by the Lydians, Armenians, Cappadocians and Mesopotamians (later influenced by the Romans and the Greeks) and to the more frugal—Spartan, maybe—traditions of the Bedouin Arab.

The character an dstyle of Middle Eastern food took its present form, however, in the Persia of the Sassanid period (3rd-7th century AD), during the reign of Khosro II whose military triumphs over Byzantium were matched by his cruelty, greed, and the dazzling extravagance of his court.

Meat, marinated in yoghurt and flavoured with spices: the popularity of young kid, beef cooked with spinach and vinegar or fried in butter with a sauce; stuffed vine leaves—a taste for all such recipes originated at his court.

Raki, the local aniseed spirit, was until recently more common than wine in Turkey and it takes a visiting Frenchman to insist on "Kavaklıdere, 1874". Most Turks would concur with the wish of the Istanbul poet, Cihan Velî, that he "be a fish in a raki bottle," although an Islamic purist counterswell condemning alcohol also is evident.

Binboga vodka also is excellent to wash down the mazzes. This assortment of small dishes—nuts of all types, salted

chick peas, pieces of cheese cut in smaller cubes (fried, maybe), sauces and dips, and fried eggplants to which the inhabitants of Istanbul were so devoted that the fires they caused were sometimes called "eggplant fires"—is a way of life around the Mediterranean Sea.

A speciality of the cuisine is hors d'oeuvre: Black caviar, shrimps, slightly-salted tunny, smoked fish and/or a selection of hot hors d'oeuvres such as shrimps, grilled, fried or "gratiné", squid and fried kachkaval—veal bacon, grilled in a paper bag.

Then you turn to the main dishes—usually excellent) or meat: "Chateaubriand" as one restaurant puts it, "Bonfilet," as another does, "Portofello"—well, whatever it is, it is bound to be good. Furthermore, the quality and taste of Turkish vegetables is something I have come across nowhere else, except perhaps in Morocco in the spring.

You can request your meat or fish to be stewed, skewered, fried, stuffed or grilled. After that, some meat balls, perhaps, with pilaw rice or turkey with chestnuts. There is also a lighter egg plant soufle or baked courgettes with dill, mint, parsley and cheese.

Turkey has a sweet tooth, too, and has some surprising puddings—Asurek, which, for example, includes chick peas, dried fava beans, kidney beans (soaked overnight), and cooked slowly with sugar and raisins—is excellent.

Sephardic Jews brought their own specialities from Spain, five or six centuries ago. Orange and almond cake, Hojuelos de Haman (which commemorates the defeat of Haman by Esther and Mordecai) or Rahat Lokum, sometimes stuffed with fresh cream, will conclude the meal happily with coffee—horra, semi-sweet.

The extensive use of yoghurt is one of the great pleasures of Turkish cooking, equal to Morocco's skill in combining the textures and flavours of meat and fish.

Turkey owes many a dish to the Caliph who commissioned them, or the poet who sang it, or the imam who fainted on receiving it. When the Turks went into battle, their cooking pots were carried on a special cart and formed a key rallying point. To help locate them more easily in battle zones, they stretched skins over the top of brass cauldrons and beat them with ladles—thus, the origin of the kettledrum.

Stuart Marshall tests two diesels

One for the money, one for the load

THE DAIHATSU Fourtrak Estate and the UMM Trans-Cat have one thing in common: both are diesel-engined, on-off road utility vehicles with four-wheel drive. In every other respect, they could not be further apart.

The Daihatsu is a luxuriously-trimmed five-seater with a raised roof to give extra headroom to the three people sitting on the rear bench. The front seats and standard of trim are in the Range Rover class; the turbo-diesel (just under 2.8 litres, 87 bhp at 3,600 rpm) is quiet enough for radio listening on the motorway.

It has 10 forward gears—five in high, five in low range—light, power-assisted steering and all the amenities one expects of an executive-type saloon. It costs £29,998 and is aimed at the recreational user.

In complete contrast, the UMM, of French ancestry but assembled in Portugal, is rough, tough and utilitarian. The engine is a 2.3-litre Peugeot producing 67 bhp at 4,400 rpm and maximum torque (that is, it pulls hardest) at only 2,200 rpm. For severe off-roading, torque means more than sheer power. The harder the going, the better the UMM becomes.

Although the leaf springs give it quite a reasonable ride, it is not a happy machine on the highway. The steering is heavy, the wheel is placed as it might be in a 1920's lorry, and the spokes obscure the instruments. The four-speed gearbox is a hefty handful but works well enough. Although the front seats are quite good, rear passengers—up to six of them—sit facing one another and would not want to travel far.

Come to that, I would not want to drive the UMM very far, either, as the noise level is quite incredible. There appears to be no sound damping at all and the smooth-running Peugeot engine could almost be in the cab with you, not under the bonnet.

The only arguments in the UMM's favour are that it built extremely strongly, with thick steel panels, and is cheap. The station wagon comes complete with nudge bars (useful in London to keep taxis away, as well as protecting the radiator and light from the undergrowth

when going cross-country) and free-wheeling front hubs for £28,609. This is the posh model; a mechanically-identical hardtop without windows or seals is £7,613, and a pick-up with canvas top £7,325.

Who would buy the UMM? Someone who reckons the Land Rover went soft when it got coil springs and winding windows. I drove the UMM in Scotland and the Daihatsu in Surrey, and both came to grief in what looked like easy conditions. In Scotland, the ground was firm, the grass wet and the gradients very steep—around 1-in-3, I would guess. The tyres lost grip on the grass and the ground was too hard for the knobby shoulders to dig in. I don't think any conventional 4x4 would have done better.

In Surrey, an innocent-looking field had the load-bearing capacity of chocolate blancmange. Although I was going downhill, the Daihatsu sank up to its hubs in seconds. Luckily, it was used by Robert Mandry, inventor-constructor of the remarkable RTV (Rough Terrain Vehicle) described here on August 18 last year.

His Mini-engined RTV waddled across the morass to a firmer terrain, lowered a ground anchor and winched me out with the ease of a wine waiter uncorking a bottle... of... premier cru Bordeaux. If this little machine were German or Japanese, everyone would be raving about it. But it is virtually all-British (and 90 per cent Mini) with all mechanical bits available from the nearest Unipart stockist.

It isn't an alternative to a conventional 4x4 like a Land Rover but, for knocking around a bit, it is a better bet. The RTV is as easy as a Mini to drive—the transmission is automatic—and it costs from about £8,900 upwards. Mandry is at Ottershaw, Surrey (0932877). If what you have now keeps bogging down, give him a call.

The Daihatsu, which is available petrol-engined for £8,749, is ideal for those towing boat or horse trailers who want to use the same vehicle for shopping, school runs and holidays. I don't rate it quite as highly as the Mitsubishi Shogun five-door estate (this column, January 5) for refinement and driving pleasure, but it is £2,500 cheaper.

Overseas Property

★★★★★ Badgastein—(together with the Grand Hôtel de l'Europe) is on its way to become the "Monte Carlo of the Alps"



To Invest now in Badgastein: Certainly One of the Most Interesting Investments Still Available

Profit from the impetus of Badgastein as long as it is still favourable

Since the reopening of the famous Grand Hôtel de l'Europe on New Year's Eve 1982 with a performance by Liza Minnelli (shown by German, Austrian and Swiss television) and the sensational Estée Lauder-Top Management Incentive, also professional investors have been attracted to this well-known spa, summer and winter sport resort in Salzburg County.

With the regional and national press writing more and more about this noble place it has become very favourable again. With its many attractions, even the Neue Zürcher Zeitung carried a full page on its reviving popularity with the title: "Badgastein—skiing at the sources of youth."

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For a long time there had been no investment in the area's hotel business and marketing. Then three years ago, new management became involved. Since then dramatic, positive changes have taken place, turning Badgastein into a very attractive investment area.

The Grand Hôtel de l'Europe AG is today one of the biggest landowners in Badgastein. In addition to the hotel itself, the company owns five other properties, among which are the manor house "Villa Solitude" (with its 100,000 square metres of land and its own thermal health spring). The company (founded in 1969) places and sells shares of companies in the property business.

It also offers apartments with five-star-hotel service. Out of the 85 units in the Grand Hôtel de l'Europe only 12 remain unsold. Even after three increases, prices are still very interesting (between U.S.\$1,200— and U.S.\$1,950— per square metre), with a quality comparable to St. Moritz, for example.

And Badgastein is only at the beginning of the Boom. Badgastein today is where St. Moritz, Gstaad or Monte-Carlo were 15 years ago. What did those far-sighted investors earn who bought apartments in those places or participated in companies working in the property business? (The price for a well-situated apartment in St. Moritz, for example, is today up to U.S.\$10,000— per square metre in Gstaad and Monte-Carlo about U.S.\$8,000— per square metre.) The Grand Hôtel de l'Europe

Badgastein Corporation offers several interesting investment possibilities. Here, too, as every professional investor knows, the rule is: there is only much to earn if one buys when the train starts to roll.

Austria shows the biggest increase in Gross National Product among the industrial countries in the last years, and has had no strikes during the last 35 years.

The reopening of the Casino in the Grand Hôtel de l'Europe in 1984—the congresses, the big cultural organisations during the festivals of Salzburg, the exquisite restaurants, the first amusement and therapy park—all these are dynamic and creatively developed ideas which in the near future could make Badgastein the "Monte-Carlo of the Alps."

Please contact the Management of the Grand Hôtel de l'Europe Corporation if you want to make an interesting investment or arrange seminars or congresses.

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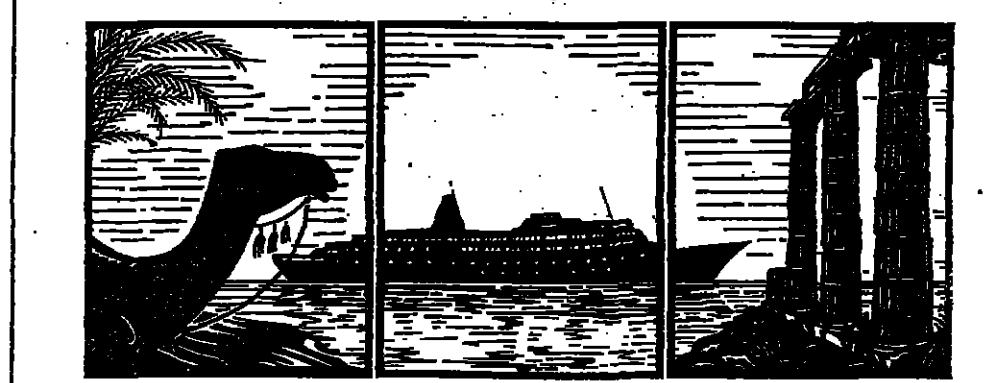
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Hearts as trumps

BY RACHEL BILLINGTON

Rosamond Lehmann: An Appreciation
by Gillian Tindall. Chatto and Windus. The Hogarth Press, £10.95, 201 pages

Rosamond Lehmann has always been under suspicion of being a "romantic novelist." The aura hovered dangerously round her first and most successful novel, *Dusty Answer*. (As an intellectually snobbish girl I read it under the covers of *Pride and Prejudice*, *Dusty Answer* which was published when she was twenty-six was followed by other novels. Two of those, *Invitation to a Beheading* and *The Weather in the Streets* which is a sequel with a time-lag, are excellent novels, filled with the kind of irony and subtlety which is alien to romantic fiction. A longer work, *The Echoing Grove*, written in 1933, has its nearest fictional cousin in D. H. Lawrence's *Women in Love*. Yet the "romantic" cloud obscured Rosamond Lehmann's work for twenty years or so and it's only recently that the literary spotlight has turned her way—mostly as a result of Virago's publication of her less well-known novels.

Gillian Tindall takes a firm stand on the question of romance early on in her study. She attacks her critics for believing that a writer who writes about the dark alleys of love rather than the corridors of power was automatically insouciant, unenlightened and escapist." Then she points out that Rosamond Lehmann's, mock-in-trade is not fruitless matings and happy endings but, rather, love misplaced.

denied or betrayed—and betrayed not so much by human perfidy as by life, circumstance, time itself.

This is only too true. The recurrent themes of the Lehmann novel are always tragic. Death comes down at us in a wide swathe. The earlier books, written in the 1920s, are filled with echoes of the First World War. In her later books, characters fall victims to the effects of the Second World War. Indeed few of its major characters survive to the end of *The Echoing Grove*.

This is a long way from romance. And yet there is an aspect of the Lehmann oeuvre which is not foolish or insulting to describe as "romantic." It is not easy to pin down but is indicated by such words as "dream," "mystery," "yearning," words always associated with her work. It is as if the books are literally unfinished, the characters still searching to resolve themselves right up to the last page—and beyond. It is the feeling suffered (or enjoyed) by the adolescent standing on the terrifying brink of the adult world. It is the not grown-up feeling that leads the most sedate of housewives to dream of being thrown across a Sheikh's saddle-bags. More seriously, it is the position of "the outsider" who is eternally waiting to cross the threshold—to where?

It is also the element in Ms Lehmann's work that lays her open to ridicule. *The Echoing Grove*, her most conscious and ambitious work, goes so far in this direction with its constant re-working of passionate relationships that at times one is

tempted to throw out the whole lot with a brisk cry: "What a neurotic woman!" Yet this obsession is also her strength and the exaggeration merely confirmation. In the same way D. H. Lawrence, turning a character into a pillar of salt, teeters on the edge of absurdity. It is a kind of emotional daring which is not popular with our best novelists at the moment. It would be impossible to imagine intellectually disciplined writers such as Malcolm Bradbury, David Lodge or Alison Lurie letting themselves go or, more important, letting their characters go, in such a way.

This raises the tricky question of authorial voice. Ms Lehmann switches from an overt shoulder third person narrative to first person in *Invitation to the Waltz* when she wants to convey the powerful first weeks of love.

But the first person is always a limitation to the writer's art and Rosamond Lehmann is too much concerned with the broader pattern of events to give in to it entirely. Gillian Tindall quotes Elizabeth Jenkins as comparing her work to a woven carpet and the flow of words—positively gushing in *Invitation to the Waltz*—serves to disguise her careful constructions. Nor should the intensity of her imagined relationships be too closely identified with the intensities of her own life. As she told Ms Tindall, it is the important things that might not happen in your life, that makes the best fiction. "Potential is often the most potent element." Doubtless there will one day be a fascinating biography. Meanwhile we have here a small



Michael York and Lisa Eichhorn in last year's TV-adaptation of Rosamond Lehmann's *The Weather in the Streets* with, inset, the author at the time she wrote the novel

work of literary criticism, interesting, careful, thought-provoking.

Nevertheless, in the end and at the end, it is Rosamond Lehmann's reaction to reading this appreciation which is memorable. She writes that *The Swan in the Evening*, the book where she describes the death of her daughter, Sally, and the fact she makes with her subsequent work, is "totally relevant."

After this experience, her obsessions which had made her an "outsider" were re-interpreted. "Underneath all the obsessions lay my life-long obsessive search for the meaning (if any) of life and death." After her daughter's death, "I didn't hope or fear any more, or dramatise the subject. Like Jung, I didn't—I don't—believe I know. So I've become a sort of insider—a strange sort."

Chrysler man speaks

BY KENNETH GOODING

Iacocca
by Lee Iacocca and William Novak. Sidgwick & Jackson £12.95, 352 pages

What an appalling picture Lee Iacocca paints of Detroit as Motor Town approached the end of the boom years.

At Ford the founder's grandson, Henry Ford II, was behaving like an absolute dictator whose decisions were not open to debate. His management philosophy: "Keep your people anxious and off-balance."

Promising careers at Ford came to an abrupt end and the victims often did not know why. Henry II fired one president because the man never knocked when entering the chairman's office.

Executives did not have to tangle directly with Henry to suffer. It was not even safe to be within range of his heady gaze. Iacocca was ordered to "get rid of" an excellent manager and good friend because Henry Ford insisted the man's trousers were too tight.

He's a fog. Although Ford ruled through fear, the executives put up with it because the rewards were so lavish. Apart from million-dollar salaries and bonuses and stock options there were the perks. Iacocca, as president, had a Boeing 727 available for his business trips. The restaurant at the "Glass House," Ford's headquarters building, was one of the finest in the world where it was discovered each executive lunch was costing \$104—back in 1964. One manager wanted his office redecorated with antiques at a cost of \$125m. I could tell Henry was displeased, says Iacocca, "because he scrawled across the memo: 'Make it \$750,000.'"

The American industry is still today paying the price of having managers who were more interested in short-term results than holding the union demands in check. Not only are car workers the highest-paid in U.S. manufacturing industry but their fringe benefits are exceptional—the cost of providing health care for its employees costs Chrysler the equivalent of \$600 for every car it produces.

As Iacocca remembers: "We were making so much money that we didn't think twice. We were rarely willing to take a strike and so we never stood on principle. I sat there in the middle of it all and I said: 'Discretion is the better part of valor. Give them what they want because if they strike we'll lose hundreds of millions of dollars. We'll lose our bonuses and I'll personally lose half a million dollars cash.'"

Iacocca also gives a first-hand account of Chrysler, much smaller than Ford—the number one car-maker—but still the tenth largest corporation in the U.S. When he arrived in 1978 Chrysler was on its way to bankruptcy and in a state of anarchy.

"The company was like Italy in the 1980s, it consisted of a cluster of little duchies, each one run by a prima donna. It was a bunch of mini-empires with nobody giving a damn about what anyone else was doing."

Worse, there was no overall system of financial controls, no financial planning and projecting. Chrysler was running marginal or loss-making operations on every continent except Antarctica but Iacocca found his feet. He held on to basic financial information to tackle the fundamental problems.

Lido Iacocca, the son of Italian immigrants who named him in memory of their honeymoon at the Venice Lido, seems

to have been ideally suited for a rise to power in Detroit. He grew up during the U.S. depression and became a materials manager. When I graduated from college my attitude was: 'Don't bother me with philosophy. I want to make ten thousand a year by the time I'm 25 and then I want to be a millionaire. I wasn't interested in a snob degree, I was after the bucks.'"

A bright and gifted personality with an ego "as big as the great outdoors," he was lucky enough to be in several right places at the right time.

For example, there were hardly any other students at college when he was there—they had all gone to war. Iacocca, with a constitution like an ox, was automatically rejected because he had had rheumatic fever as a child.

He joined the Ford company from college and first came to public attention when he led the team which developed a revolutionary sports saloon, the Mustang. The car had the unique privilege of being featured on the covers of both Time and Newsweek the same week.

Iacocca was only in his mid-forties when he became president of Ford. "Henry was king. I was crown prince." But it was not long before Henry was crying "Off with his head."

In October 1978, aged 54, Iacocca was forced out. Ford had just declared record profits yet the board did not resist Henry Ford's action. Iacocca not only lost his job, he lost most of his friends. They worked at Ford and were terrified that Henry would fire them too if they were seen consorting with Iacocca.

He remains intensely bitter about Henry Ford. "He made my kids suffer and for that I'll never forgive him."

Iacocca might have never



Lee Iacocca: uneasy ride to the top

been heard of again but for his knack of being in the right place at the right time. Chrysler, in its death throes, called him in as chairman to attempt a resurrection. Iacocca saw a chance to get back at Henry Ford, took the job and lived to regret it several times over.

A convinced freetrader, ardent believer in the survival of the fittest and "let the marginal guy go broke," Iacocca had to go to the government for help. He justifies this by insisting that government interference in the form of arduous regulations imposed on the motor industry was responsible for half of Chrysler's problems.

In dealing with the politicians was difficult, setting Chrysler's banks around the world to agree to the rescue terms was infinitely more taxing.

But Iacocca by 1983 turned Chrysler round from a corporation to which even the local delicatessen would not send sandwiches on credit to the point where it paid back over \$1bn in government loans seven years early.

The Chrysler experience changed Iacocca's political philosophy. He suggested that a Republican administration would not have helped the com-

pany. "Democrats usually put people ahead of ideology. They deal with labour, they deal with people, they deal with jobs. Republicans deal with trickle-down theories of investment." He is scathing about Reaganomics.

Iacocca's book cannot be wholeheartedly recommended in spite of all the irresistible anecdotes. It does not go deeply enough into his experiences at Ford and Chrysler, and he wastes space on four chapters of "Straight Talk," which will be of little interest to British readers. Neither is it a tract from which any new management theories emerge.

It is a fascinating, but ultimately unsatisfying, glimpse of a man whose television appearances endorsing Chrysler turned him into one of America's best-known personalities. There were even rumours—quashed last year when he signed another three-year contract with Chrysler—that he would stand for the Presidency of the U.S.

In characteristic style, Iacocca writes: "Because of all the TV commercials I did for Chrysler, many people now think I'm an actor. But that's ridiculous. Everybody knows that being an actor doesn't qualify you to be President."

L.G. on the brink

BY MALCOLM RUTHERFORD

Lloyd George. From Peace to War, 1912-1916
by John Grigg. Methuen, £19.95, 527 pages

To begin with a quibble: my copy of this book reads engagingly until Page 98, then moves to Page 401 and picks up again at Page 129. Some 30 pages—the index suggests they are to do with Ireland—are missing altogether. Surely Methuen ought to be able to do better than that.

Yet perhaps there is something symbolic about the omission. There is a general view that the early years of this century represented a golden period in British history: the great Liberal reforms, the great men, Asquith and Lloyd George, Churchill in his youth, the height of British power.

The more one thinks about it, however, the more it looks like a record of failure—the time when the country's relative decline set in. The Asquith administration, of which Lloyd George was a prominent member, grapples with great issues. It resolved practically none of them, and some of them are still around today.

It did not effectively reform the House of Lords. It did not know what to do about the suffragettes, as the women's movement was then called. It did

not come to terms with Ireland. Even more seriously, it failed totally to foresee the first world war. It did not note the significance of the rise of the U.S. And it failed to realise that even the continental powers were catching up and overtaking Britain economically.

There was also a process of political realignment which one wonders is not the rule rather than the exception in British politics. The Liberal Party was declining, though it seemed to be at its peak. The Labour Party was on the way up. Yet somehow the best of the two could rarely get together. How true again today.

This is the third volume of John Grigg's biography of Lloyd George and still only goes up to his assumption of the premiership in 1912. It is a biography in the classical sense—about the man rather than the economic and social circumstances of the time and as such is riveting to read.

The chapter on his long affair with Frances Stevenson is deeply sympathetic. Yet there are other times when Grigg can be notably critical, for example, over Lloyd George's carelessness in the Marconi scandal and especially in revealing that he was seeking to keep his own son out of the war while at the same time encouraging others to serve. He wrote to his wife: "I am not going to sacrifice my nice

boy... You must write Will telling him he must on no account be bullied into volunteering abroad."

What comes out most, however, is British's sheer unpreparedness for the fighting. As Chancellor, Lloyd George was dealing with the budget as well as playing a part in the Irish negotiations. Between the beginning of 1913, Grigg records, and the outbreak of the war, he had attended only one meeting of the Committee of Imperial Defence, and at that he had merely commented sharply on Admiralty plans for strengthening the defences of the Shetlands.

Of course, no-one knew how ghastly the war would be. There had been nothing like it before, except perhaps the American Civil War. And there are times when Grigg senses that the British people—like, to feel virtuously by fighting. "Whereas the French knew that their men were fighting and dying for France, the British were encouraged to feel that they were performing a sacrificial act that would purge the world, once and for all, of the evil of war."

Lloyd George took part in that encouragement, and probably in the end had no choice. Yet one cannot help wondering at a "country which" seems to have lived so blindly in the early years of this century, and still looks back on it as a golden era.

After the Shah departed

BY TERRY POVEY

Reign of the Ayatollahs by Shaul Bakhash. I. B. Tauris, £13.95, 282 pages

Iran under the Ayatollahs by Dilip Hiro. Routledge and K. Paul, £20.00.

Late in the afternoon of February 10 1979 a breathless female voice broke into the martial music that had been playing on Iran's state radio for several hours and said: "This is the voice of the Iranian revolution." Suddenly it was all over: the Shah had fled, his most potent representatives on the ground, the army, had backed off from acting on his own and the Imperial Guard had been beaten by a motley alliance of airforce technicians, let alone Islamic radicals after a two day battle.

In the early hours of the following day and after an appeal for help, a male voice came on the air with "This is the voice of the Islamic Revolution of Iran."

In those few hours the station had been first seized by radical groups—including members of the station's staff. Then forces loyal to the Ayatollah had turned up to take charge. It was a pattern that was to be repeated all too familiar.

It is the events that followed this collapse of the Imperial regime and the emergence in its place of the Islamic Republic which are the subject of *Reign of the Ayatollahs*—the first two extensive accounts of Iran's post-revolution years.

Although neither book is hostile to the revolution itself (something that will disappoint the realists and monarchists), the two authors clearly take very different views of the balance sheet of the past six years. Dr Bakhash, an Iranian academic living in the U.S., has produced a very crisp, one is tempted to say cold, retelling of the key events and of the emergence of the clerical regime. Disappointment with the outcome of the revolution among many involved in its making is a theme strongly felt throughout.

Almost as an antidote Mr Hiro, an Indian freelance journalist and writer living in

London, has come up with an alternative view—one sympathetic to Tehran's present rulers in the context of world and regional concerns close to the author's heart. The Ayatollahs have confounded all prophecies of their doom and are still going, and what is more Iran will never be without them. What matters is who has come out on top: middle class concerns such as political and personal freedom may have been trampled on but the lower classes are solidly behind the clerics. Or at least so Mr Hiro argues.

Both books share an essentially chronological format (although that of Mr Hiro is fully aware of Iran's relations with the outside world), and have been published in the midst of the sixth anniversary of the revolution. Today, however, largely docile crowds numbered in thousands rather than millions, chant slogans prepared for them by an all-pervasive officialdom. Unfortunately what the crowd might be thinking at this time is not the subject of either book.

In the *Reign*, Dr Bakhash has surely been right to place considerable emphasis on the debate just after the revolution on the constitution of the new state. It was the insistence of the radicals and liberals on an elected chamber that appeared to lead to their demise. "Who do you think will be elected to a constituent assembly?" Mr Hushemi Rafsanjani (now the second most powerful man in the country) is said to have asked Mr Abol-Hassan Bani-Sadr (subsequently elected President and now a fugitive in France), "a host of ignorant and fanatical mentalists who will do much damage that you will regret ever having convened them."

The upshot of months of arguing was a constitution that bore no relation to the submitted draft. A presidential system (with more than a strong whiff of Gaullism) had been dismembered by placing at its top a "Religious Guardian" an infallible authority in matters both religious and secular.

From then on it was down

hill all the way for the secular forces and only a matter of time before each grouping or party was proscribed. In the fourth chapter of his book, Mr Hiro passes all too quickly over these events—too quickly because the events are still being played out and will mark many years to come. The ugliness of a rampant consensus is not lessened by its apparent popularity.

Towards the end of the *Reign*, Dr Bakhash argues that the pragmatism observable in more recent times does not imply political liberalisation. "The instruments of repression remain firmly in place," he writes. "However, whilst there has been repression what really matters is the end result. Iran today is an independent country, enjoying an ideology rooted in its own culture. The clerics have found a genuine 'third way' between the capitalist/communist poles that divided the rest of us."

Mr Hiro believes that the old order has been swept away; Dr Bakhash that the pillars of the old state "have been combined, often uncomfortably, with the revolutionary institutions. Iranians are now more governed (controlled), spied upon, coerced, regulated than ever before."

Political views apart, a major difference between the two authors is their source material. Dr Bakhash relies heavily on original—but mainly printed—material; Mr Hiro on western press reports and, as a result, the closer one gets to the present, the more one feels a lack of intimacy with things post-revolutionary.

Finally, neither book gives a lot of space to economic questions (except for the admirable chapter on land in Dr Bakhash). The new rulers in Tehran are now deeply split ideologically, over just this area of national life. The "clerical" frictions as ever, are not at all agreed on what they are trying to construct.

And both books leave unanswered the question: What have the Iranian people made of their government, as opposed to what it has made of them?

Wife who became a prima donna

BY MARTIN SEYMOUR-SMITH

Valley of Decision
by Stanley Middleton. Hutchinson, £8.95, 214 pages

Heaven and Earth
by Frederic Raphael. Cape, £8.95, 310 pages

The Old Colts
by Glendon Swarthout. Secker & Warburg, £8.95, 187 pages

To a Native Shore
by Valerie Anand. Plunkett, £8.95, 287 pages

Stanley Middleton is almost always well spoken of. But he remains strangely neglected: little has been written about his work, and not a single one of his novels, at least up until last year, had been published in the United States, although he is often spoken of there with respect. For a similar case of critical neglect one must look at James Hanley. The fact is, Middleton makes many of our more adulated novelists look silly—or at least merely interesting. Almost every reader, when you talk to him, fully agrees—but then does nothing about it! The best he has had is the Booker Prize—

but regrettably that does not always lead to the results it might. Booker winners are frequently forgotten, and not always for good reasons. The strongest possible plea for this leading English novelist should now be made, and I urge readers to obtain this new, and very fine, book—and then to look for the others.

Middleton writes about ordinary, unglorified, frequently derided people at periods of their lives when they are under severe pressure. He then, so to say, puts them to the test; do they hold up? or do they break? The answer varies. But Middleton's knowledge of human psychology and his dugged love for both his fellow man and for the harsh, often sour truth, are sovereign in our time. Few are prepared to wager, will not be moved to admiration at the craft, the feeling, the skill and the depth of *Valley of Decision*. Hence, as sometimes elsewhere, Middleton's refusal to manipulate the audience may look silly—or at least merely interesting. Almost every reader, when you talk to him, fully agrees—but then does nothing about it! The best he has had is the Booker Prize—

His theme here is an old one, treated anew: the conflict between artistic ambition and human responsibility. One of the two protagonists is a teacher who is happy and fulfilled in his work and in his amateur music-making. His wife is equally happy as an amateur singer. But then she finds an opportunity to get into the big time as an opera singer. The narrative is dense and rewarding; the author demonstrates that the things we think of as commonplace are anything but that. I cannot recommend it too highly.

I had always thought of Frederic Raphael as a highly gifted writer of movie and TV scripts and as an efficient, intelligent but unspectacular novelist. *Heaven and Earth* has changed my mind. It is by far and away the best, and most serious thing he has ever done. It is in essence a subtle and sympathetic portrait of a man, Glendon Shand, who has made a virtue out of failure. Frustrated from becoming the academic success he might have been, he has moved to a cathedral city as an Open University lecturer and a translator. He is deservedly liked; a model of decency. But he has an over-sensitive son who is bullied and

for whom he cannot stand up. He moves—but, not at all in accord with his intentions, into a situation which puts his quiet life in jeopardy. The book is written with great aplomb, but is never glib. There is a brilliant passage in which a book Glendon is translating is juxtaposed into the text. There are many fascinating and revealing ramifications, and the dialogue is exceptional.

The Old Colts is a tour de force in at least one sense: the author claims, with his tongue either in or out of his cheek—it is easy enough to guess—that the late Walter Winchell gave him the idea of a document which had in turn been given to him by Damon Runyon. This document tells of how Walt Karp and Bat Masterson met up as old men in New York City and took to a life of crime as well as wine, women and song. Glendon Swarthout is the author of *The Shootist* and knows how to do this sort of thing: so for fans of the word-advised of the not-so-old-west, including those who are keen on "ranches" in the Home Counties, this is a must, although it may prove a little too comic for their not always unoleum tastes. A likeable but very lightweight book.



Glendon Swarthout's story for *The Shootist*

Valerie Anand has previously written a trilogy set at the time of the Norman Conquest. This time she has chosen contemporary India. A woman very attached to her own part of England, the West Country, she meets an Indian doctor and goes with him to live in Chandigarh in northern India as a part of his family. Circumstances force her to make a choice: the novel is really about her and her husband's resolution of this choice. The book is not more than competently written, but compensates for this by its honesty and its refusal to sentimentalise. The author has a particularly good sense of place, and of how differences of place can lead to differences in attitude.

Arthur's agonies

BY DEBORAH STEINER

Living with Koestler: Maimaine Koestler's letters 1945-5
edited by Celia Goodman. Weidenfeld and Nicolson, £12.95, 204 pages

It was not a likely union. In 1945, Arthur Koestler, a central European Jew, an ex-card-warring Communist, warned Maimaine Paget that he suffered from cyclic neurosis and would like to marry her. In agreement, Maimaine turned her back on the English gentry stock from which she came, on her education in an Essex boarding school and a Swiss pensional de jure files and on the London season where she, and her twin sister Celia, had been the city's most photographed debutantes.

In the six years, which Maimaine spent with Arthur, she wrote to her twin almost every week. This was the period, not covered in Koestler's own autobiographical account when he was most involved in exposing the "useful lies" of the Communist creed. Against the backdrop of his activities, Maimaine's letters and diaries show concerns of a different kind. The house where the Koestlers first lived in Wales was bitterly cold, and food was scarce. Later, in France, while Arthur waited for reviews of

Ignight and Outlook, the bleak, cold, and depressing of yet another, cook absorbed Maimaine's energies. International events came and go, the servant problem remains.

Domestic trials Arthur complained, interfered with his well-being. His outbursts of rage punctuated the letters, and lead Maimaine to speculate on how much longer their life together can last. China, furniture and a hapless commissaire were not the only victims of Arthur's fury. Numerous friendships dissolved, prompting Maimaine's reflection that it was Arthur's subconscious urge to be quite without friends. More accurately, one acquaintance, Alexis Ladis, complained, "Arthur demands that 'one should all the time be ten years older than one is'."

The intelligentsia of the time continued to make tracks to the Koestlers' door. Maimaine describes going the rounds of Sartre, Simone de Beauvoir and Camus. Maimaine's white-wine flat she dismisses as "dinky." In 1950, the Congress of Cultural Freedom in Berlin brought together Koestler, James Burnham, Raymond Aron, Benedetto Croce and others. Arthur, Arthur and Maimaine met: the leading politicians of

the age. Sadly, Maimaine recalls on the face of political men who, like Arthur himself, tire of the Left and vainly hope to liberalise the Right.

Koestler's was central to Arthur's character. Not so to Maimaine's. Although she followed him from Wales to France, Germany, Israel and America, this Paget twin never lost her Englishness. In every house she and Arthur lived in, she tried to create a home and garden. There are no letters and no diary entries for the winter of 1950 which Maimaine spent back in London. There was no need to write; she was happy and at home.

In spite of the deep commitment which these letters reveal, Arthur and Maimaine could not lead a life together. Arthur's open promiscuity, never hinted at in the letters and his refusal to have the children Maimaine always wanted, were additional strains on the marriage. Celia Goodman, Maimaine's editor and twin, gives a brief account of their separation in 1951 and of her sister's death just three years later. The introduction, postscript and annotations to the letters are sparse and to the point. Clearly Mrs Goodman feels Maimaine's words stand on their own. And with their wit, poignancy and conscious naivety, they do.

HOW TO SPEND IT

by Lucia van der Post

One Little company goes to market

OSBORNE & LITTLE could be said to have done for wallpaper what Torvill & Dean did for skating—that is they transformed the potentially mundane into an art form. Their designs are to be found on the walls of small Chelsea houses, grand hotels and sumptuous foreign palaces. But for all the fame and all the design accolades, their share of the market is small. Not to mince words, it is, as Sir Peter Osborne himself, one of the founding partners put it, "tiny." One per cent to be exact.

This week's launching of the company on the Unlisted Securities Market is designed to change all that. The two partners, Anthony Little and Peter Osborne, see the move as a necessary stage in their expansion and hope that the spin-off in terms of sales will enable them to open more showrooms (when they opened their showroom in Edinburgh sales in Scotland more than doubled) and extend the product range.

What the market thinks of its commercial future, no one yet knows but for homeowners concerned with what to put on their walls Osborne & Little has always been a company stopping off place for those with more than a passing interest in contemporary design.

They started in the 1960s when Anthony Little, a freelance interior designer, felt that the current wallpaper designs lacked the strength and excitement that had been a hall mark of the turn of the century designs by people like William Morris and Pugin. He felt that the discerning public was offered too little choice—anybody looking for something strong and different had usually

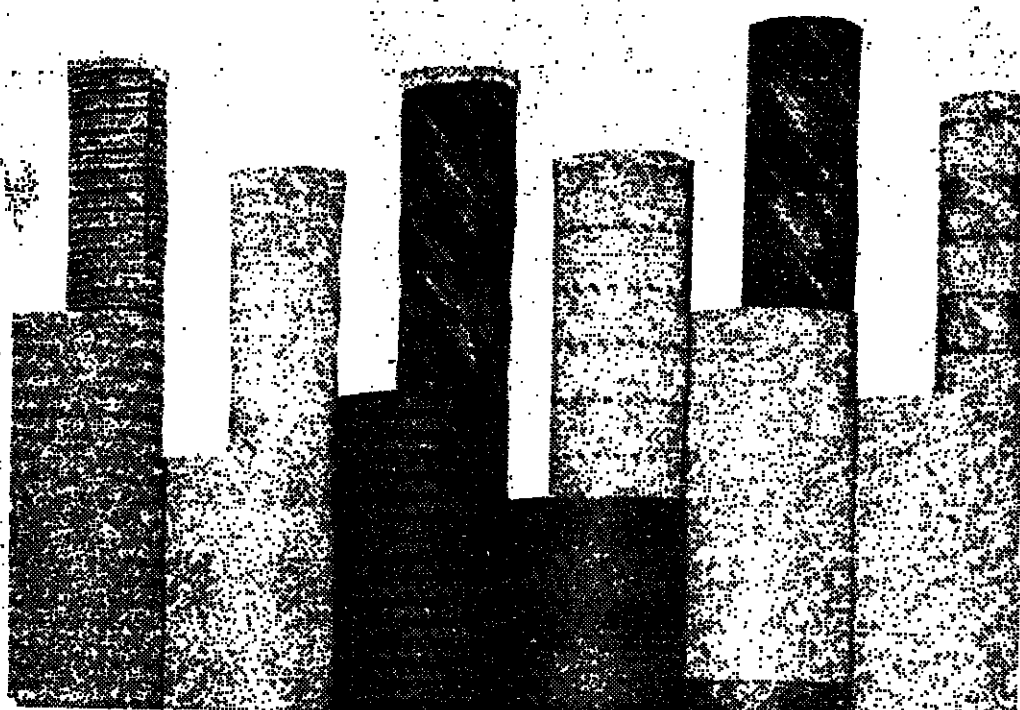
to buy imported papers from France or America. The first collection created, in its way, a small sensation. It featured strong geometric, a marked contrast to the Cole's revivals and dainty numbers from the other manufacturers. It represented at the time a complete break with contemporary British wallpaper design. It was sold from a small shop in the Brompton Road and immediately attracted a lot of publicity, including a Council of Industrial Design award, and most importantly of all, a loyal and discerning clientele.

From there they continued with their philosophy of exploring new design areas. Just as one thought that "strong geometries" was their "house style" they would move on and introduce something new. They were the first to introduce those once highly-fashionable metallic papers that flourished in the early 1970s.

Though the company still screen-prints some of its more rarefied papers and borders (a laborious and delicate process that is, inevitably, reflected in the prices) the move into machine-printing in 1976, revolutionised the business.

The highly successful collection, Hanging Gardens, was launched at the same time, combining more accessible prices, with a range of matching fabrics. Since then it has increasingly produced more and more fabrics, both to match and to complement the papers.

Other big design landmarks are collections like Plains and Nuage which offered to the domestic user a quick and easy way of achieving with wallpaper some of the effects that were becoming increasingly popular with paint. The

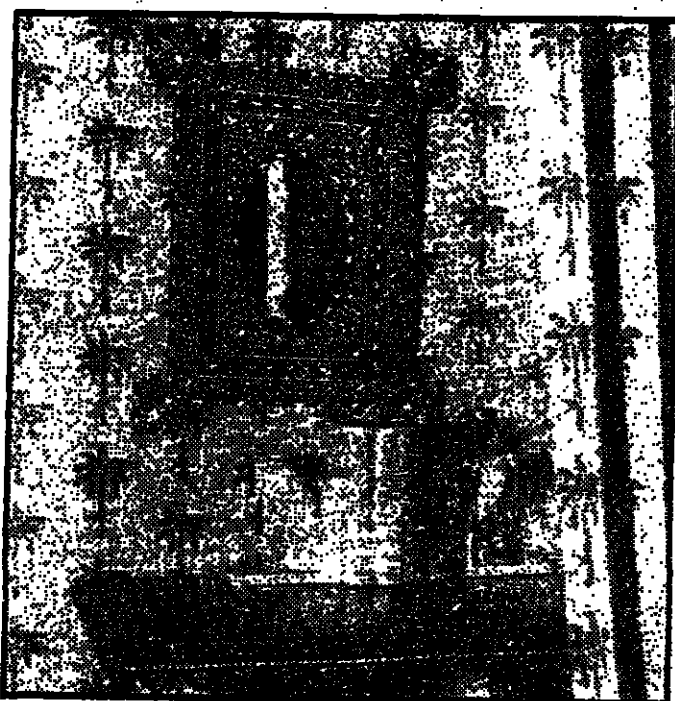


Regatta, the latest collection, which features 50 wallpapers and 20 fabrics

gentle, speckled backgrounds of Plains, the marbled effects of Siena, the dragged look achieved by Grains, all these were stylish and ultimately inexpensive ways of achieving a high-fashion look.

For those who are interested in how Osborne & Little see the walls of today—Regatta is one of the most up-to-date collections on sale. The strength of the designs can be seen in the photograph, above, but alas the strong, bold colours cannot.

As to the future, the ideas go flowing on. 1985 will see some four or five new ranges, the first of which is provisionally called Dark Wood and consists of large-scale florals set against wood effects, which will be produced in 20 colourways. Also in the pipeline are further experiments of the highly successful paint-effects range—in particular experiments with the unusual blended effects popular in the late 18th century.



A typical strong, early Osborne and Little design

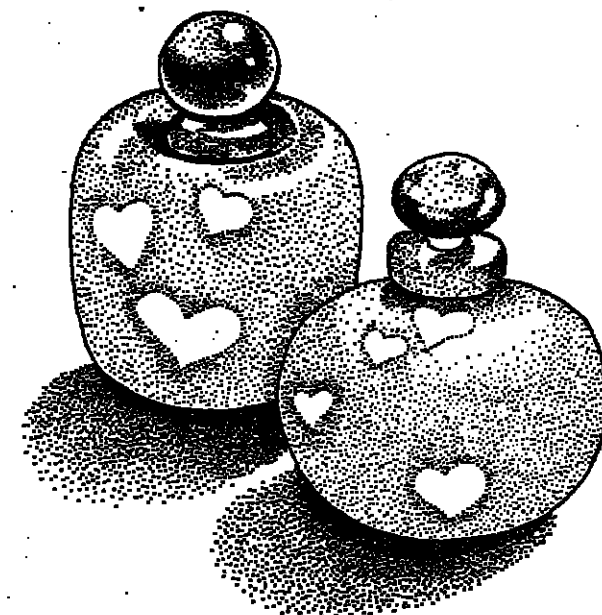
Hearts galore

THERE IS still time to remember St Valentine's Day if you've a mind to. Those who find the whole idea a little frivolous and who would like to combine it with the feeling that somebody, somewhere, besides the commercial exploiters of the event should benefit, you could order a single boxed red replica rose from John Grooms Association for the Disabled.

For the price of a £1 the single rose is sent to the address of your choice—this gives the association a small profit to contribute to the work it does to help the disabled to help themselves. Anybody wanting to send a small donation as well can take this opportunity to do so and be sure that the money will be well spent. For St Valentine's orders to be sure of arriving on time, £1 (or more!) should arrive by Monday and be sent to: "Activities Centre," John Grooms Estate, Middlesex.

If you can't share lunch with your loved-one, The Admirable Crichton will send a special Valentine's Day lunch for one person to an address within a 50-mile radius of London for £15, delivery free in the West End and City (outside it is extra). Nestling inside any oyster-coloured box tied with pink ribbon ("very romantic") are two courses nestling in white straw and confetti.

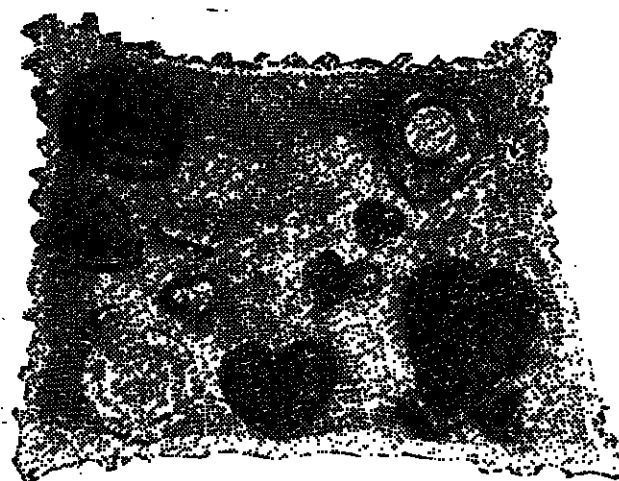
"Pink peppercorns hugging rack of lamb with artichoke heart full of broccoli flowers and hot pistachio kisses. Tiny new potatoes enlarded by tender mint leaves. A love net of meringues brimming with passion fruit cream and strawberries. A praline and chocolate heart. One quarter bottle Veuve Clicquot and a pink, pink rose." But you'll have to hurry. Ring 01 675 4543. Orders and money must be received by Tuesday.



Clare Brooks

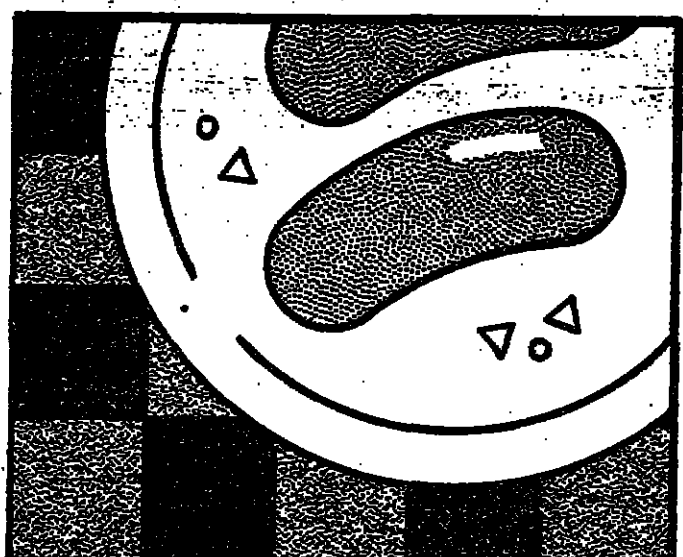
ABOVE: For the one-off, the hand-made, the original, go to The Casson Gallery, 73 Marylebone High Street, London W1. The shop is full of enchanting present ideas but clearly ideal for Valentine's Day are these free-blown sandblasted glass scent bottles. The glass has a frosted look with the hearts being formed from clear patches. There are four different shapes, all £18 each (p + p £1.50).

BELOW: For the old, the special, the rare, go to Antiquaries or The Chenil Galleries in King's Road, London SW3. Photographed here is a selection of heart-shaped objects, ranging from a painted porcelain box for £25 to a rare 1930's Lalique glass scent bottle for £200 and a silver clock at £235.



COOKERY Beautiful bangers

By Philippa Davenport



Pauline Rosenthal

meat mincers, but fillers suitable for fitting to the Chef Excel and to all other food mixers in the Kenwood range can be bought for £2 to £2.50 from Kenwood Centres (mini stores within stores) up and down the country. If not currently in stock, orders are despatched by post, at no extra cost, direct to the customer's home address within a few days.

The instruction leaflet which comes with the Kenwood sausage filler attachment, suggests (as do most recipe books) that you should mince the meat mixture then put it through the mincer a second time in order to pipe it into the skins. I find it quicker and more satisfactory to combine the two operations: double mincing tends to produce pappy textured sausage-meat, even if a coarse mincing blade is used.

Kenwoods, like most recipe books, also advise wetting the insides of sausage skins, by running water through them, before attempting to fill them. I find this makes the skins too slippery—far easier to omit this process.

The method I use is described in detail below, and is followed by my recipe for Marlborough sausages, a good basic sausage which may serve as a "springboard" for your own sausage recipes, but first a few general points about ingredients.

The better the pork the better the sausages. Too much pork today comes from young pigs bred for leanness; it is presumably less rich in cholesterol but tends to be tough and to lack flavour. For the sake of good eating get proper old-fashioned pork if you can.

Virtually any cut is suitable for sausage-making. Most econ-

omic is belly of pork (I have a particular liking for salt belly), the thick end of which usually has a ratio of 2 parts lean to 1 part fat which is the ideal for sausages. More expensively, the classic cuts to use are shoulder or neck meat and hard back fat. Sometimes a mixture of green bacon fat and hard back fat is used. In all events the proportions should be 2 parts lean to 1 part fat.

Other meats can also be used, including veal, beef and game. (Venison sausages flavoured with juniper or cardamom are particularly delicious.) When including a meat other than pork allow 1 part of your chosen

meat to 1 part lean pork and 1 part pork fat.

Which herbs and spices you use to flavour sausages is of course a matter of personal taste and half the fun of sausage-making lies in creating specialities de la maison. Suffice to say that sausages should be well flavoured and there is no need to stick to classic British favourites such as sage and nutmeg. For example fresh green herbs like basil make wonderful additions and so does garlic.

Seasonings apart, I believe sausages should be 100 per cent meat. Those who have become accustomed to eating the heavily padded ersatz sausages

of commerce, however, may find pure meat sausages almost too meaty—and I have certainly found this to be the case with children. For them, initially at least, it may be better to include some breadcrumbs or meal-cooked chestnuts in the sausage-meat mixture, but not more. I would suggest, then, 14 oz per pound of meat (weight of lean plus fat).

THE BASIC METHOD
Cut off the length of sausage skin required, allowing about 1 yd of hog casing for 1 lb sausages or 2 yds of sheep casing for 1 lb chipolatas, and soak it in a bowl of cold water for 30 minutes or so to wash away some of the salt and to make the skin pliable.

Meanwhile prepare the filling. Cut the meat (lean and fat) into cubes as though preparing a stew, and put it into a large mixing bowl. Add salt (1 allow 1 teaspoon or a little more per pound of meat, unless using salt pork) and your chosen herbs and/or spices, prepared as appropriate to type. Then add breadcrumbs or cooked and chopped chestnuts if you wish to include them, at a rate of up to 14 oz per pound of meat. (Add fresh breadcrumbs just as they are; toasted crumbs are best moistened with a little liquid—say wine or tomato paste thinned with water.) Mix all the ingredients together very thoroughly with your hands.

Now for the only delicate part of the operation—threading the skin onto the nozzle of the sausage filler. This can be tricky until you've learnt the knack and I advise allowing 15 minutes the first time you try it. Damp the nozzle of the sausage filler. Lift one end of the sausage skin from the bowl of

water in which it has been soaking, open it and slip it onto the tip of the nozzle. Gradually slide the rest of the wet skin onto the nozzle, wrinkling it gently upwards. When all but an inch or two is threaded onto the nozzle, tie a knot in the loose end of skin.

Fit a medium-coarse blade onto the meat mincer, (or a fine blade if you want very smooth textured sausages), then screw the skin-threaded sausage filler onto it. Place a baking tray at the ready to catch the sausages as they come off the production line, standing it on an upturned bowl level with the nozzle so that the sausages can slide gently onto it.

Now for the magic. Fill the hopper with the well mixed ingredients and start mincing. Work steadily and not too fast, easing the skin off the nozzle as it is filled. Aim for plump sausages but take care not to over-fill. If the skins are too taut the sausages may burst when cooked. I stop after every 3 or 4 in of sausage has emerged, and twist the skin before continuing; do this more or less frequently depending on how many sausages you want to the pound. Alternatively pipe the sausage-meat into the skin in one continuous but more loosely packed length; squeeze it gently at intervals afterwards and twist into short sausage lengths.

The sausages are now ready to cook but will taste even better if kept for a day to allow flavours to blend and mature. Home-made sausages can be kept in the 'fridge for up to 3 days (no longer because they contain no preservatives) or they can be frozen. The normally recommended freezer storage time is 6 months but since home-made sausages tend to be highly seasoned I suggest 2 months maximum.

MARLBOROUGH SAUSAGES
This makes 2 lb sausages, a convenient quantity to make at one time. An excellent all-purpose sausage for serving with buttery potato purée, braising with red cabbage, making toad-in-the-hole and turbot, wrapping in bric-a-brac dough, using in fat), 2-3 teaspoons coriander seeds; 1-1 teaspoon black peppercorns; 2-4 garlic cloves; 2-2 teaspoons salt; 1 heaped tablespoon fresh lemon thyme (or 2-2 teaspoons dried thyme); a small bunch of parsley; up to 3 oz fresh wholemeal breadcrumbs (optional).

Soak 2 yds or so of hog casings in cold water for about 30 mins. Meanwhile prepare the sausage ingredients and put them into a large mixing bowl. Cube the meat, pound the coriander seeds and peppercorns with mortar and pestle (or grind them coarsely in a pepper-mill), crush the garlic with the salt and chop the fresh herbs. Add the breadcrumbs if using, and dried herbs, and mix very thoroughly.

Thread the soaked sausage skin onto the nozzle of the sausage filler attachment, then screw it onto a meat mincer fitted with a medium-coarse blade. Put a plate under the tip of the nozzle to receive the sausages, and fill the hopper with the well-mixed ingredients. Mince steadily to make plump, well filled sausages, and twist into links at regular intervals.

At first glance surprising, but the bishop offer gives a strong attack whereas 7 B-K3? Q-R4 ch and 8... QxP leaves White no compensation for Black's imposing pawn centre.

7... PxB; 8 NxfP, P-Q4; 9 Pxp ap, N-B3; 10 B-N5, P-Q4 ch; 11 N-B3, P-N5; 12 BxN, PxB; 13 N-Q5!

The books give 13 N-K4, but the text, threatening N-B7 ch or Q-R5 ch, is better.

BRIDGE

E. P. C. COTTER

MANY A CONTRACT is lost because the declarer is obsessed with the idea of immediately drawing trumps. Consider this deal from a team match:

N
♠ 73
♥ K54
♦ A65
♣ J10962

E
♠ J9842
♥ 8
♦ Q743
♣ 85

S
♠ A5
♥ AJ9763
♦ K92
♣ A4

With both sides vulnerable, South dealt and bid one heart and, after a single raise from his partner, went four hearts, which became the final contract.

West led the diamond Knave, East dropped the seven, the declarer won in hand, led a heart to the King, and returned a heart. Now, if the Queen drops in two rounds South puts himself on the back, hears the parrot-cry of "Well played" from North, and everyone is happy. Unfortunately, West held the guarded Queen and South could not avoid the loss of a trick in each suit.

a little more expertise. After winning the "diamond" Knave with the King we cash the heart Ace, but then we abandon trumps. We make the Ace and follow with the four. West wins with the Queen and leads the diamond ten, which we win on the table. We play dummy's club Knave, on which we throw the diamond nine. West is in again, and leads a third diamond. We ruff in hand and now a trump to dummy's King reveals the 3-1 break, but we are not worried. We play dummy's ten of clubs, throwing our losing spade, and claim the contract.

A second round of trumps must not be played at trick three—it's essential to preserve dummy's King as entry—but it is important to cash the Ace. If East should happen to ruff a club, we can overruff, and now the trump Queen must fall to the King. Not a difficult hand, but you will find it constantly misplayed.

The second example comes from rubber bridge:

N
♠ KQ8752
♥ A6
♦ K83
♣ A

E
♠ J1064
♥ 1093
♦ A
♣ J8753

S
♠ A
♥ KQ72
♦ QJ9742
♣ K10

bid one spade, (he thought about bidding two spades, but decided against it). South replied with two diamonds, and North led three spades. Sensing a slim, South made the strong bid of four hearts. North showed support for his partner's suit by a bid of five diamonds, and South said six diamonds.

West chose to lead the spade three, an obvious singleton, taken by the Ace, and South hastened to draw trumps, by leading the two to dummy's King. East won, and the return of the spade six, forcing South to ruff with an honour, promoted West's ten and the contract was defeated.

The declarer was, of course, right to draw trumps at once, but he went about it the wrong way. There was a safer method. He should cross to the Ace of clubs and return the three of diamonds. This is a form of Avoidance play. Now, when East wins with the Ace, and returns a spade, South can afford to ruff with his Knave without any risk of promotion. Failure to spot that safer method cost 1470 points.

CHESS

LEONARD BARDEN

NEW OR little-known opening moves are prolific point scorers in chess at all levels. An effective innovation does not need

move 25 of the Poisoned Pawn Sicilian; its success is geared to a particular opponent.

In club or congress games the best novelties are those proven in master tournaments but not yet generally current. Advantages of surprise and technical effect are enhanced in open positions with fast development and mobile piece play.

This week's two games show innovations tested on the world circuit permeating down to national level. Both occur as refinements to well established attacking systems and the surprised opponents make unforced errors. Antidotes will eventually be found, but meanwhile the innovation student reaps a harvest: the first game settled a £800 tournament prize.

White: A. Kosten. Black: C. Cooley.
Caro-Kann Defence (South Wales Open 1985). 1 P-K4, P-QB3; 2 P-Q4, P-Q4; 3 PxP, P-Q4; 4 P-QB4, N-KB3; 5 N-QB3, P-K3; 6 N-B3, B-K2; 7 PxB, NxB; 8 B-Q3, N-QB3; 9 O-O, O-O; 10 B-K1, NxB?

This important opening position can also occur from 1 P-Q4 openings by a different move order. White has attacking chances, but his central pawn is isolated. By exchanging knights and reuniting the white pawns, Black abandons a useful asset. Best is 10... B-B3; 11 P-QR3, P-QN3.
11 PxN, B-Q2; 12 Q-K2. Perhaps even better is 12 P-KR4 at once, for if then

with a strong attack.

12... P-QR3; 13 P-KR4; P-QN4. Here if 13... BxP? 14 Q-K4... 14 N-N5, P-R3; 15 N-R7, R-K1; 16 Q-R5, P-B4; 17 N-N5!

With the rook pawn as support, White's attack fast becomes decisive.

17... PxN; 18 PxP, Q-R4; 19 BxB!

Black missed this tactic. If PxB; 20 P-N6 with Q-R7 ch and Q-R8 mate, as the black king

can no longer escape via K2.

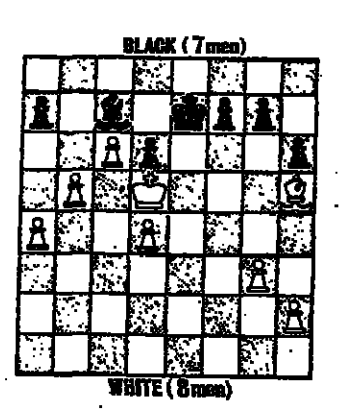
19... QxBP; 20 Q-R7 ch, K-B1; 21 Q-R8ch, K-B2; 22 P-N6 ch, K-B3; 23 Q-R4 ch! KxB; 24 Q-R5 ch, KxB; 25 Q-N5 mate.

White: W. Watson. Black: J. Manley.
Roy Lopez, Schliemann Defence (Pergamon British Lightning Championship 1984).

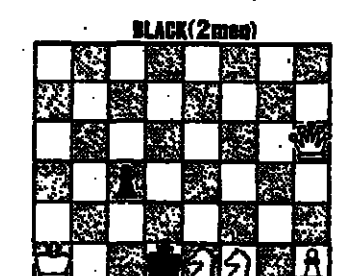
P-K4, P-K3; 2 N-KB3, N-QB3; 3 B-N5, P-B4; 4 P-Q4, PxB; 5 NxB, NxB; 6 PxN,

backed by the rook's market. Later, when the Rothschilds, he was a prominent Viennese financier and later still an aristocratic chess patron.

POSITION No 554



PROBLEM No 554



White mates in three moves, against any defence (by H. Rosset). A miniature, but far from easy; half an hour is an excellent solving time.

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THE ARTS

The real Handel

Max Loppert

Reggio nell'Emilia, or Reggio Emilia as it is commonly called, is one of the substantial, prosperous Emilian cities stretching out in a not quite straight line from Bologna towards Milan. It has not the special artistic associations of Parma, nor the richness of historical interest of Bologna (surely the most underrated of great Italian centres), nor the industrial prominence of Modena (not to mention two current hometown heroes of the order of Pavarotti and Mirolla Freni). The tourist features—museum, churches, old town centre—can be accomplished in half a day; and the visitor's most abiding memory of the place may well be left by the local food and drink—the ham and sausages, the cheese (parmesan should really be given its proper title of parmigiano-reggiano), the dangerously delicious lamburzo.

My main business in Reggio earlier this week was not to walk, eat and drink, happy as those occupations proved to be, but to accept the invitation of the Teatro Valli to attend its new production of Handel's *Rinaldo*—an opera suitably based, in part, on Ariosto. Italy has been slow to join the 20th-century rediscovery of one of opera's greatest geniuses (and one whose operatic career compassed early triumphs in that land). Now the process has begun. This centenary production, apparently the first Italian *Rinaldo* in modern times, is scheduled to tour the region before going to the Theatre Musical de Paris (the Châtelet), its co-sponsor. It was an event that aroused great anticipatory excitement and then much cheering: both were very largely

justified. This was, indeed, one of the few Handel productions of my own experience to operate on a theatrical scale that was, if not exactly faithful to the conventions of the form and the period, then at least appropriate thereto. With *Rinaldo* (1711), Handel effected his triumphant entry onto the London operatic scene. It is perhaps the most extravagantly enjoyable Italian opera in the Handel canon—every component—plot, vocal, instrumental, and scenic—is offered its chance to shine. In the *Rinaldo* stagings by our own Handel Opera, the scenic demands have usually been, of necessity, shirked even when the musical ones were better attended to. Here, in a production directed and designed by Pier Luigi Pizzi, one had at least the sense of all theatrical aspects being considered together in the search for a modern audience's pleasure.

Pizzi's stage method, as we know from his Bellini *Capuleti e Montagues* at Covent Garden, is to explore new ways of invoking period stage architecture. Here, a magnificent three-sided baroque facade with portals, its front face capable of splendid progressions back and forward, is lit in a way to create 18th-century perspectives that are both beautiful and practicable. His placing of the principals is more controversial: each stands on a high, which is moved around by black-clad stage staff, the singer's multi-coloured trailing cloak lending the stage-management some degree of concealment and drama much incidental atmosphere. In the great battle



Cynthia Clarey as Rinaldo

scenes, the cast sit atop huge stone horses similarly moved about. The intention was obviously to create an impression of noble statues come to life. As a theatrical spectacle this proved marvellously successful (even if one's awareness of supers currying about at ground level did not diminish throughout the evening). As a response to the intense quality and brilliance of all Handel's characters—not just the sorceress Armida and the alto castrato hero, but the others as well—it is open to the criticism of tacitly falling in with common prejudices about opera seria personages. But, in fact, once the stage vocabulary had become familiar, one could appreciate the degree of freedom it allowed the dramatic and musical abilities of a well-chosen international cast; this was a performance that, for all its panoply of stage

effects, struck home in the real, wonderful Handel way. In the title role, American year's Poppo, Octavia at Glyndebourne) added another name to the lists of expert female exponents of the Handel castrato role. The voice is agile, firm, the presence sharply profiled (less so, perhaps, in amorous moods than in martial). James Bowman, as the Christian general Goffredo, was in fine form. To my ears the two leading sopranos, also American, supplied slightly too little vocal contrast: Elizabeth Preutter's Armida, though striking, and assured of style, owned a soft, strained quality of timbre apter to the heroine Almirante than to the glittering sorceress. Of the Almirante, however, there could be no complaint: Benita Valente's considerable transatlantic reputation was fully borne out in a succession of exquisitely pure arias. "Lascia il mio pianto" not least among them. The young baritone, Simone Alaimo, the sole Italian principal, was perhaps the most exciting performer on stage.

The conductor was Charles Farncombe, who must have more Handel operas, and more *Rinaldos*, under his belt than any other alive. It was one of his best Handelian readings, well-tempered in pace and rhythm, never jostling-mechanical, and (by an obviously inexperienced orchestra) enthusiastically played. The edition, based on the 1711 score rather than on Handel's later revisions, borrowed an unpublished aria for Goffredo that proved an undesirable extra, but otherwise gave no grounds for complaint. The Handel year will go on very well if it throws up other opera performances as thoroughly worthwhile, and thoroughly enjoyable, as this.

Antony Thornecroft on London's orchestras

A wonder under threat

It has been one of the wonders of the musical world that London should sustain four orchestras of international reputation—the London Philharmonic, the London Symphony, the Royal Philharmonic, and the Philharmonia.

For some reason this abundance of musical riches has attracted the hostility of the Arts Council. At one time the council was keen to kill off an orchestra by putting most of its aid behind a new "super" orchestra; more recently it suggested the creation of a major orchestra in the east of England which it would fund generously, a proposal which has since been abandoned. Now it seems anxious to shed an orchestra by reducing subsidy.

A report produced in the autumn for the Council by Mr Neil Duncan (which was not published) is believed to have come down on the side of no cuts in grant; no sacrificial victim; in fact no changes at all until 1988 when the abolition of the Greater London Council hands over to the Arts Council the running of London's South Bank and its concert halls. The London orchestras should be directly funded, an improvement on the current cumbersome arrangement whereby the London Orchestral Concerts Board, funded jointly by the Arts Council and the GLC, subsidises the orchestras for their main London engagements. The council disregarded Duncan and has cut the Royal Philharmonic's 1985-86 subsidy by £280,000. At first glance this is a tiny sum—for the RPO it means around £65,000 less on a turnover of £2.5m—but the money goes to reduce the losses on the vital Festival Hall concerts which are essential for an orchestra's reputation. It also represents a 28 per cent reduction in grant. The impact has been far-reaching.

For a start the orchestras heard the news after their 1985-86 programme had been arranged. They will have to cancel concerts at the Festival Hall, and stand to lose £2,000 in cancellation fees. Secondly they are certain to reduce the experimental and innovative content of their concerts, even more, concentrating on popular audience attractions like Chai-kovsky and Beethoven. Already the RPO has cancelled Janacek's *Glagolice Mass*, which would cost it about £18,000 to per-

form. By reducing subsidy the council is creating the very London musical scene which it criticises—too many routines, safe concerts.

Perhaps, most ominously, the lower subsidy is an indication of a bleak future. Last month the orchestras were told that the council expects them to eliminate their deficits within three years. To attract generous grants they will have to devise interesting programmes but they know that such adventurous planning usually means smaller audiences and less ticket revenue.

By coincidence this sniping by the Arts Council comes at a time when the orchestras are experiencing quite prosperous seasons, mainly because they had the foresight to plan more popular programmes. They still lose on average around £5,000 every time they perform at the Festival Hall but at present there are enough commercial sponsors to make good the deficits and audiences are up.

The LSO, for example, was attracting 83 per cent audiences to its Barbican concerts between September and the end of 1984, and January has averaged 73 per cent despite the weather. It will make a profit of about £50,000 this financial year on a turnover of more than £3m.

It still faces big problems, notably an overall £100,000 deficit, which is also the main victim of the council's cutbacks, not only because its grant is cut by £100,000 but because the City of London traditionally matches the Arts Council's grant to the LSO and it has not yet decided what to do, faced with the cash reduction of its partner. It is reluctant to make good the shortfall because it would establish a bad precedent. So the LSO has still not signed a five-year contract with its landlord for the year starting in April.

Nevertheless the LSO is pushing ahead with an ambitious Mahler festival. In March, though it will be hard to recoup the cost of over £900,000. Sponsors are rallying around, and such ventures are good for prestige and keep the players interested. However, the LSO's immediate future is similar to its rivals—a more energetic search for sponsors; a safe, regular repertoire; selling its musical skills for film music, recordings and sponsored tours.

The RPO is also gambling on an important event, the Andrius Festival, a temporary escape from their London worries.

held on the South Bank in June. It will cost the orchestra £250,000 to mount but it will launch its new conductor and has already attracted £100,000 in sponsorship from Bankers Trust. The RPO has been successful in building up a range of sponsors, and expects to receive £500,000 all told this year.

It is already reaping a financial benefit from employing Festival Hall. It has completed one television series with him and more work is to come. Still it has cancelled half a dozen of its RFH concerts because of the Arts Council cut and it is considering dropping the performance of the violin concerto it has commissioned from Peter Maxwell-Davies. That would indeed be a pointed move since the Arts Council contributed £5,000 towards the commission.

In audience terms the most successful London orchestra in recent years has been the Philharmonia. This is because its three-year sponsorship by Du Maurier (£200,000 a year) enabled it to build up a large subscription list, 3,000 strong. Now it will be forced to reduce advertising because of the Arts Council cuts, as well as give up some Festival Hall appearances.

The orchestras must make some challenging decisions in the next few months. Their reputation, so important for profitable recording work, rests on their success in devising interesting programmes—a Mahler festival (LSO), one devoted to modern French music (Philharmonia), American music (RPO)—but these lose money and are only possible with the help of sponsors, or Arts Council cash.

The orchestras are not completely negative in their attitudes towards the council. They like the idea of direct funding and welcome the prospect of repeating their London concert in the regions, provided the subsidy is forthcoming, but recent events have shocked them and stalled their plans. There is also a question mark over what the GLC may offer for the coming financial year—nothing has yet been announced. Still all is not gloom. The LPO is about to tour Australia; the Philharmonia is bound for Japan; the RPO will be in the U.S. this month; to be followed in the summer by the LSO. They will welcome a temporary escape from their London worries.

Much to be gained by not shutting out human voices

You Can't Shut Out the Human Voice (Radio 4, Sunday evening) is an hour-long anthology of poems and letters by writers living under the shadow of political censorship and worse. I went to the recording last year, and reviewed it when, with a less starry cast, it came to the Cheltenham Literary Festival. Read by Peggy Ashcroft, Alec McCowen, Gregory Peck, and Leo Winger, it brought pleasure and sorrow together.

First instalments of new serials flanked *The Human Voice* on either side. At seven o'clock, E. Phillips Oppen-

heim's *The Great Impersonation*: I read this when I was at school and was properly amazed by the final coup de théâtre. Without giving anything away, I can tell you that Sir Everard Dominie (David Robb) is a drunken remittance man in Tanganyika, where he encounters the German Baron von Lagastheim (also David Robb). They were at Eton and Magdalen together, and they are doubles. The Baron proposes to get rid of Sir Everard, go to England in his place, and sabotage any British preparations for the threatening war. He speaks both English and German with a faint German accent, but loses it when he

comes to England. Now listen on.

Cousin Basilio, at nine o'clock, is more serious. It is adapted from a novel by Eca

RADIO
B. A. YOUNG

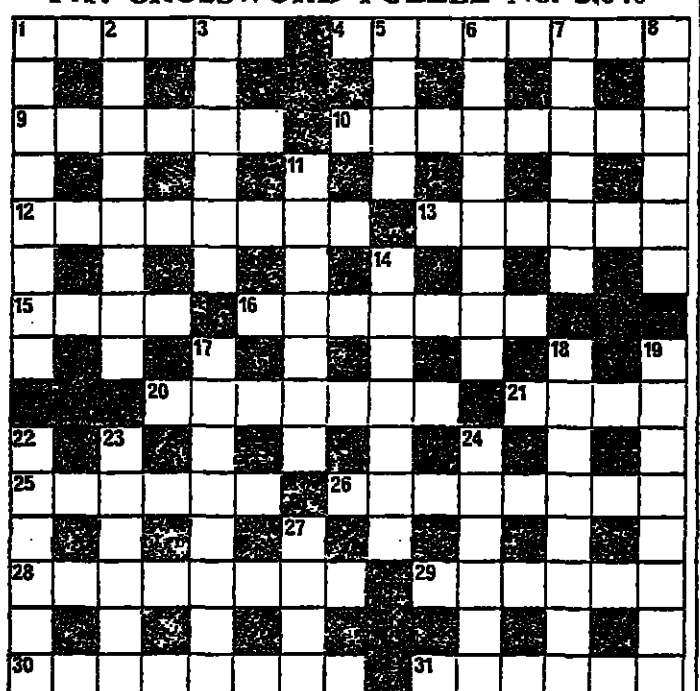
de Queiroz, a Portuguese writer of the last century, whose novels tended to get on to the index. *Cousin Basilio* (my encyclopaedia calls it *Nepheus Basilio*) is straightforward glamorous romance, so

far, Jorge (John Rowe) is to go away for a month on business, leaving his wife Luiza (Moir Leslie) alone. Within a fortnight she is visited by Basilio, home from ten years' money-making in Brazil, and looking for a good time in the naughty Lisbon society. Once he was engaged to Luiza; now he wants only to have her as a conquest. Not much view of the rich Lisbon life of the 1880s yet, but it promises well, is decently played and well directed by Vanessa Whitburn. Stay with this one.

This has been a great nostalgia week. I enjoyed nothing so much as Capital's Sunday night programme. The

Birth of Jazz. Brian Rust played a dazzling selection of records, that began with the Original Dixieland Jazz Band's "Dixieland One-step," and gave a knowledgeable account of the progress of jazz, growing less dependent on contrapuntal all-music extra, but otherwise gave no grounds for complaint. The Handel year will go on very well if it throws up other opera performances as thoroughly worthwhile, and thoroughly enjoyable, as this.

F.T. CROSSWORD PUZZLE No. 5,640



A prize of £10 will be given to each of the senders of the first five correct solutions opened. Solutions must be received by next Thursday, marked Crossword in the top left-hand corner of the envelope, and addressed to the Financial Times, 10 Cannon Street, London EC4A 3DF. Winners and solutions will be given next Saturday.

Name
Address

ACROSS

- 1 Indian father is in pain (6)
- 2 Rocky soil—a rum place to sunbathe (8)
- 3 Raw recruit that is hiding behind the castle (6)
- 4 Realise there's 50% discount too much (5)
- 5 Coming to call everyone in (8)
- 6 Coarse rider goes round making jokes (8)
- 7 Impudent jerk (4)
- 8 Blab about the Spanish clergyman (7)
- 9 Key man working in a pit, perhaps? (7)
- 10 Manage to catch the egg-head (4)
- 11 The "Jazz Queen" is a vessel (6)
- 12 Swinger responsible for people having good time? (8)
- 13 Slicker sweet? (3)
- 14 Get mug with nothing in against a voucher (6)
- 15 Contrary talk (8)
- 16 Judge fools skinhead (6)

DOWN

- 1 Ventilate boats and planes (8)
- 2 A coir mat, shaken, having a distinctive smell (8)
- 3 High place attained by Holy-head rowing crew (8)
- 4 Bill the clergyman is meticulous (8)
- 5 Coin in apture (6)
- 6 Gloomy Dr Pink (6)
- 7 Competitor raced into tent, drunk (7)
- 8 Has new toboggan outside which is drastically reduced (7)
- 9 Returning, stay home (8)
- 10 Failure to see everybody standing in a thick (8)
- 11 Stop when you get to the end (8)
- 12 Not the type to stand up straight (6)
- 13 Measure everyone getting on after Gateshead (6)
- 14 Offensive when overdrawn, promises to pay (6)
- 15 Slouch back pockets (4)

Solution to Puzzle No. 5,639

BBC 1

† Indicates programme in black and white

6.30 am The Perishers. 8.35 The Littlest Hobo. 9.00 Saturday Superstore. 12.12 pm Weather.

12.15 Grandstand, with Desmond Lynam, including 12.50 News Summary; Football Focus with Bob Wilson; Skiing—World Championships from Italy; Racing from Newbury at 1.30, 2.00 and 2.40; Athletics—Peugeot-Talbot Games from RAF Cosford; Great Britain v West Germany and the Indoor European Championships from Greece; Bowls—Embassy World Indoor Championship; Ice Skating—European Championships from Gothenburg, Sweden, featuring Karen Barber and Nicky Slater in free dance; Rugby League—Leeds v Widnes in the first round of the Silk Cut Challenge Cup from Leeds; Final Score—Qualified results.

5.05 News.
5.15 Regional programmes.
5.20 Doctor Who.
5.45 Jim'll Fix It.
6.40 The Little and Large Show.
7.15 One By One.
8.05 Dynasty.
8.45 Bergerac.
9.45 News and Sport.
10.00 Match Of The Day.
10.50 "One-Eyed Jacks," starring Marion Brande.

REGIONAL VARIATIONS:
Wales: 8.30-9.00 am Rugby Union: Try, Try Again. 5.15-5.20 pm Sports News Wales. 1.05-1.10 am News of Wales Headlines.
Scotland: 5.15-5.20 pm Scoreboard with Dougie Donnelly. 10.00-10.50 Sportsweek.
Northern Ireland: 5.15-5.05 pm Northern Ireland Results (opt-out from "Grandstand"). 5.15-5.20 Northern Ireland News. 1.05-1.10 am Northern Ireland News Headlines.
England: 5.15-5.20 pm London Sport; South-West (Plymouth)—Spotlight Sport and News; All Other English Regions—Sport and Regional News.

SOLUTION AND WINNERS OF PUZZLE No. 5,634

Mrs J. Richards, 16 Quarry Way, Hythe, Kent; Mr G. C. Harvey, 30 Headley Close, West Ewell, Epsom, Surrey; Mr R. G. Scott, 27 Barnston Court, Edinburgh; Mr R. J. Hunt, 249 Hillbury Road, Warrington, Surrey; T. McLaughlin, Easdale, Blairgowrie, Perthshire.

BBC 2

6.25 am-3.10 pm Open University.

3.30 Micro Live.
7.40 Saturday Cinema Double: "The Hounds of Baskerville," starring Joel McCrea, Ray Wray, Leslie Banks, and others. 8.20 "Slagcock," starring Ann-Margret, Red Buttons and Bing Crosby. 7.10 News and Sport.
7.25 A Vous La France!
7.50 Rugby Special. Highlights of today's Welsh club match: Neath v Swansea from The Gnoll.
8.40 "Beyond Sorrow, Beyond Pain" (Swedish film with English subtitles).
10.00 Blot On The Landscape.
10.50 World News (Highlights from the second semi-final in the Embassy World Indoor Bowls Championship).

11.40-12.15 am World Skiing Championships (Highlights of the Ladies' Slalom from Bormio, Italy).

LONDON

6.15 am TV-am Breakfast Programme. 9.25 LWT Information. 9.30-9.40 am News. 9.55 Scooby Scooby and Yabba Doo. 10.00 No 13. 11.20 Space 1999. 12.15 pm World of Sport. 12.30-1.00 pm World of Sport. 1.00-1.10 pm World of Sport. 1.10-1.20 pm World of Sport. 1.20-1.30 pm World of Sport. 1.30-1.40 pm World of Sport. 1.40-1.50 pm World of Sport. 1.50-2.00 pm World of Sport. 2.00-2.10 pm World of Sport. 2.10-2.20 pm World of Sport. 2.20-2.30 pm World of Sport. 2.30-2.40 pm World of Sport. 2.40-2.50 pm World of Sport. 2.50-3.00 pm World of Sport. 3.00-3.10 pm World of Sport. 3.10-3.20 pm World of Sport. 3.20-3.30 pm World of Sport. 3.30-3.40 pm World of Sport. 3.40-3.50 pm World of Sport. 3.50-4.00 pm World of Sport. 4.00-4.10 pm World of Sport. 4.10-4.20 pm World of Sport. 4.20-4.30 pm World of Sport. 4.30-4.40 pm World of Sport. 4.40-4.50 pm World of Sport. 4.50-5.00 pm World of Sport. 5.00-5.10 pm World of Sport. 5.10-5.20 pm World of Sport. 5.20-5.30 pm World of Sport. 5.30-5.40 pm World of 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LEISURE

Gerald Cadogan on archaeology
Thieves in the night
who pilfer our past

AS AN archaeologist, I am made nervous by the windows of dealers in antiquities and the sale catalogues for them. There is always the pleasure of a chance of coming upon something that has not been recognised properly for what it is; but that is minor compared with the foreboding that I shall see something that has been removed illicitly from a site or region I know or, worse, from a place where colleagues—or I, myself—have been working.

Sometimes, the object might have been a long time in a private collection, but chances are it is much more likely to have been wrenched from where it belongs in the past year or two.

The next worry for me is the price suggested in the catalogue or murmured by the dealer. What do we pay the workmen? The going agricultural rate. How many days' wages would be represented by £500 or £5,000 for the job in the window? The equations are frightening.

Why, then, do illicit antiquities seem wrong? First, there are loss of context and damage to heritage—which merge, since loss of context implies damage to heritage.

With illicit antiquities, the context—which is so much of what we want to know—has been lost for ever. Though the objects survive, we do not know where they are from, how they lay originally, or what was with them. Where on the body was the jewellery? Was the body male or female? The tomb robbers, working fast by acetylene lamps, keep no notes. Amphorae raised by scuba divers from the sea bottom are another instance. Amateurs question respectfully their being forbidden to remove such artefacts, arguing that each one is of little monetary value and there are masses of them.

So why the fuss? Because we are losing all the information about the wreck in which they once were. Where the ship had been, what it was carrying, where it was going, and when. Loss of heritage is suffered

by the region and country to which the objects belonged, and arises from both the loss of the context and the actual loss of the objects. The evidence, or rather the presence of the past around us, is as fragile a part of the environment as any. Man, decay and disasters all destroy it; but we need it properly to understand places and their development.

In Britain, these are familiar arguments, if put differently, with churches, country houses or Victorian architecture. We even have stretched the term "heritage"—I am not sure altogether fairly—to include objects not made here, such as Italian Old Master drawings that have resided in our country houses for a few centuries, and so are deemed to be part of our culture.

These foreign objects have been naturalised and must not continue their wanderings, however bad the bills for the roof and CTT for the owners of the country houses, and however difficult for our museums to raise the money to buy them.

It is a lucky and luxurious attitude, perhaps a bit spoilt. We have so little here of the removable early native heritage owned by Italy, Greece, Cyprus and Turkey in the Mediterranean or so many countries in the Middle and Far East, or nations such as Peru, Ecuador, Mexico and Guatemala in the Americas. The pieces on sale in Geneva, London and New York that excite the collectors have come so often from robbing the cultural patrimony of the places to which they belong.

Understanding this, and making the effort to imagine what the countries losing antiquities might be thinking, means we really can help. There are beginnings. Many museums now accept only objects that have a proper pedigree showing they were exported with a permit or more likely, have been in collections a very long time.

The U.S. Customs Service has been zealous for some time, and in 1983 the U.S. became the 51st country to accept the 1970 UNESCO Convention on Cultural Property covering



A notable victim of looters... King Tutankhamen, whose tomb in Egypt was plundered twice after his death.

archaeological or ethnological property of sovereign states (Britain, West Germany and Switzerland)—an interesting trio, in view of their liking for antiquities—have not yet signed.

There also is much informal co-operation between museums, embassies, departments of antiquities, police forces and Interpol.

It is a grey area of ironies and casuistry. Objects are known to be "around" for a time and eventually "surface." A few things are saved from destruction, and a very few are bought to be returned to the country which lost them. But it is a very long haul to change attitudes, which is the only way.

People often ask me if I want to bring back and keep what I find when digging abroad. The answer is no, nor do I know of any archaeologists working in the field in the Mediterranean who are systematic collectors of antiquities.

We are not being prigs; it just does not seem relevant. We are lucky to be allowed to dig in the countries we have come to love and they are the finds belong.

But finds do travel, even from regular excavations. The worst recent cases occurred after the invasion of northern Cyprus by Turkey in 1974 when there was widespread plundering.

The most bizarre incident was the gift by the authorities in northern Cyprus to the University of Virginia of 20 vases, two of which had the excavation numbers of the Harvard/Boston Museum of Fine Arts excavation near Morphou of the early 1970s.

Eventually, the university (founded by Thomas Jefferson, the first American to do a scientific excavation—of an Indian burial on the banks of the Potomac) returned 18 to northern Cyprus and the numbered pair to the Cypriot Embassy.

It is a sad story, made worse by war. There are other stories, equally sad and bad, from Central America or even Thailand, where the discovery and circulation on the art market in the late 1960s of elaborate and early vases meant that only a small part of the type-site of Ban Chiang was unplundered when archaeologists began in 1974.

Antony Thornicroft reports on an art auction for the very rich
Van Gogh bids for \$10m record

IF YOU WANT to price the most expensive picture up for sale in 1985, pop along to the Royal Academy this weekend. There, for free, you can view a large landscape by Van Gogh, *Paysage au Soleil Levant*, painted in 1889 when he was in an asylum at St Remy. On April 24 it goes under the hammer at Sotheby's in New York and could fetch \$10m.

Such figures are fairly meaningless in a period of fluctuating exchange rates and inflation, and Sotheby's is busily talking down the likely price to nearer \$7.5m to save disappointment; but the work should certainly exceed the previous highest sale price for a Van Gogh at auction of \$5.7m. And the 50 pictures in the Florence Gould collection of Impressionist art should establish a record for a single auction session and bring in more than \$25m.

Forty-two paintings and eight drawings, the cream of the collection, are briefly on view in London as part of a world-wide publicity tour which is costing Sotheby's around \$100,000.

The sale of the paintings of Florence Gould is the major event of the auction house year and, in its detailed presentation when pitching for the assignment, Sotheby's made much of its marketing programme. It believes that this, rather than its financial terms, persuaded Mrs Gould's executors to place the pictures with the company.

The competition between Sotheby's and Christie's for the Gould treasures probably was the fiercest battle yet between two auctioneers—enthusiastic rivals. Mrs Gould died, aged 87, in 1983. She was the queen of the French Riviera, using the money accumulated by a couple of judicious marriages to enjoy the role of patron of the arts.

Her chief proteges were writers, like Cocteau and Gide, but in 1963 she started to buy Impressionist pictures and, helped by the advice of dealer Daniel Wildenstein, built up a major collection.

One of her friends in the south of France was Peter Wilson, the retired chairman of



Van Gogh's "Paysage au Soleil Levant"—the year's most expensive picture

Sotheby's, and it was a great shock to the fine art world when Christie's was given the task of disposing of Mrs Gould's jewels, which it did to the tune of \$5.7m. Then, Sotheby's was handed the furniture.

There was a long wait while the executors decided which auction house to entrust with the major prize, the pictures. Christie's might well have captured the jewels by offering a better financial deal. For the pictures the salerooms probably waived most, if not all, of the vendor's commission, relying for their return on the 10 per cent buyer's premium—a tidy sum if the first session alone tops \$25m. (Although there have been rumours of both salerooms offering to split even the buyer's commission with the vendor to secure a major collection, this has probably not happened yet.)

Nash recalls that at his last major Impressionist sale in New York, around \$5m worth of pictures were marked down to bids from the UK, but not to British buyers.

because Sotheby's traditionally has handled most of the major Impressionist sales. Although for a picture like the Van Gogh there are not more than half a dozen likely buyers—headed by Baron Thyssen, Norton Simon and the Getty and Fort Worth museums—there is always the possibility of one of the other pictures catching someone's eye on its global tour.

On an earlier exercise, a Picasso on view in the Seibu department store in Japan was spotted by a Tokyo museum whose trustees decided on the spot to bid up to \$3m for it, almost twice its estimate. Even in London, the exercise could be more than just PR—the pictures are pretty and accessible, just the kind of thing with which rich Arabs like to decorate their Home County mansions.

Nash recalls that at his last major Impressionist sale in New York, around \$5m worth of pictures were marked down to bids from the UK, but not to British buyers.

The April 24 sale will be watched with considerable interest. The art market in the U.S. has boomed on the back of the American economy; now there are signs of slight strain.

Nash is quick to point out that his estimates are modest; and that the pictures, having been bought fairly recently, indicate that, as investments, Impressionist pictures are a secure, but not sensational, haven for money. For example, a Cezanne landscape carrying a top estimate of \$1.5m was sold for \$310,000 in 1966—a five-fold appreciation in 18 years which is sound rather than startling.

A pretty Monet *Pêcheurs* has done potentially better, selling for \$75,000 in 1976 and now being estimated at up to \$500,000, as has Cezanne's *La Fontaine*, up from £1,800 in 1959 to a top forecast of \$150,000. The Van Gogh was acquired by Wildenstein in 1965 for around \$800,000— from Robert Oppenheimer, the nuclear physicist.

Edmund Penning-Roswell on High Street wines
Sainsbury's spreads its wings

FOR SOME time now, Sainsbury's has extended its wine list from those for everyday drinking to vintage wines; and if the range is not comparable to those of traditional stock-holding merchants—for the good reason that they cannot afford to hold stock long—it certainly is representative.

There are 45 wines on Sainsbury's Vintage Selection list, and it has even persuaded the original growers or merchants to print the special seal on their cherished estate or house labels.

From this list, more than 30 were open for inspection at a special tasting recently, and following are some recommendations and comments on a selection.

WHITE WINES
Lugana San Benedetto 1984 (£3.45). Grown on the Lombardy-Veneto border at the foot of Lake Garda, Lugana can be one of Italy's better white wines. This has full flavour, not a lot of aroma, but an interesting individuality.

Chablis 1983 Premier Cru (£4.75). Which of the 10 or so Chablis premiers crus will depend on availability. This one was Fourchaume and had the true, dry flavour of good Chablis. Was there a whiff of sulphur?

St. Vrain, Domaine Mendange 1983 (£3.45). This close relative of Pouilly-Fuissé is rather dull and dull, but this one has a very clean, fresh bouquet and a real Chardonnay grape character. Good value, too.

Mourant Clos de la Barre 1981 (£7.45). Has a very oaky nose and the true, full-bodied Mourant taste; good value for white burgundy these days.

Corton Charlemagne 1982 (£13.95). Unusually pale in colour, this rather lacks bouquet, and has a closed-up taste. For the appellation it is not expensive, but will it develop or suffer from a shortage of acidity?

Riesling Réserve Personnelle 1979 (£5.75). This Hugel wine exudes a lovely Riesling aroma and flavour, with an attractive slight spritz. An excellent example of a fine Alsace wine at a moderate price for the quality.

Vouvray, Ch. des Blandières 1983 (£3.25). With a fruity nose, and well-balanced flavour, it really is medium-dry as described and not, as so often, medium-sweet in taste. An attractive wine.

Ochsen Riesling Spätlese 1983 (£3.75). From a not-yet-good vintage, this Saar wine from the reputable firm of Gebert is sweetish but crisp, with good acidity.

Coteaux du Layon, Dom. de la Souche 1982 (£2.75). A really sweet wine, with a good balance of acidity and, like many Layon wines, excellent value.

RED WINES
Côte de Rhône, Ch. La Borie 1983 (£2.75). Deep in colour, this is a young wine with a distinct bite but typical and already easy drinking.

Savigny Les Beaune 1978 (£5.25). Very brown in colour, with a soft, aromatic flavour, and a somewhat sugared taste, but retains some body in a light vintage for a village wine. For drinking now.

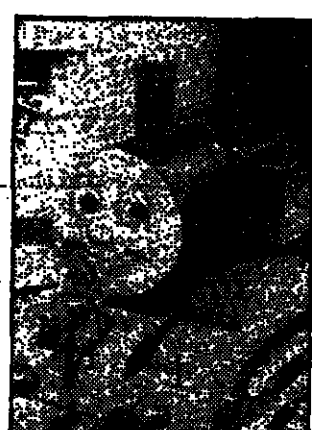
Ch. Mir Fleurs 1982 (£5.45 per magnum). Medium-coloured, this fairly light but still tannic wine has the authentic flavour of real claret and is for those who share the common French taste for drinking their red Bordeaux young and gutsy; even in magnums.

Ch. Grand-Puy-Ducasse 1979 (£7.25). This 5th-growth Pauillac has often made disappointing wine; but this light-coloured claret, with a "classy" Pauillac nose, is very attractive for current drinking.

Les Forts de Latour 1977 (£8.75). If not exactly sows' ears, one cannot expect to make silk purses out of the 1977 claret vintage. Already brown, this has a distinctive bouquet; but the flavour in that poor-weather year is green and unripe. But of interest for those who would like to taste Ch. Latour's second wine at a fair price.

Rioja, Vina Ardanza 1976 (£3.75). Very brown in colour and very oaky in taste, an attractive, easy-to-drink Rioja at the peak of its life for current drinking.

Quinta da Bacalhoa 1982 (£2.45). Portuguese table wines tend to be tough but this one, oaky on the nose and palate, is much more engaging than most and would go well with spicy food.



Thomas
chuffs in

SMALL BOYS aged 7 to 107 would be amazed. Hornby's Hobbies which made its reputation with models of trains like the Golden Arrow has brought out a locomotive with the unlikely name of Thomas the Tank Engine.

Thomas, and his friends Percy the Saddle Tank Engine and carriages Anne and Clarabel are Hornby's attempt to profit from the popularity of a series of children's television programmes, based on books by the Rev T. Awdry.

Thomas and company will run on the same 00-gauge tracks as Hornby's classic models. While dads and granddads may not like like it, Hornby is convinced that today's youngsters will. After a launch at the annual toy fairs at Harrogate and at Earl's Court, Keith Ness, managing director, said: "The results so far are unbelievable. Engine is the latest in a line of new toys introduced by Hornby in the last two years, in response to plummeting sales in its traditional model trains."

While the company's grey-haired fans had stayed loyal, younger enthusiasts had gone for electronic games instead. Having survived the collapse of Dumble Comex Marx in 1980 with the help of City financial backers, in 1982 Hornby was again in trouble.

The company cut staff from over 1,000 to about 300 and began looking around for new toys to win children back.

Along came a "Postman Pat" train-set for toddlers, a Scalextric car in Spiderman livery, and even flower-arranging kits for children. But Hornby's real hit were flower-fairies—small dolls which won the National Association of Toy Retailers' prize for the Best New Girls' Toy for 1984.

With the help of the flower-fairies, Hornby broke even last year after two years of heavy losses. This year Ness hopes for good profits. He believes that there has been a swing back to traditional toys, which can only benefit Hornby. And he is sure that it will not just be the children who end up playing with Thomas the Tank Engine.

"It's a super executive toy. I've made a layout for my boys and I show it to friends who come to dinner."

Stefan Wagstyl

Canes for
candy and
collectors

June Field reads
about walking sticks
with a difference

LOUIS XIII had a little box in the handle of his cane for his favourite sugar-coated candy, Toulouse-Lautrec concealed the then-forbidden absinthe in his "tipping" cane, and Honoré de Balzac kept a portrait of his wife tucked into the top of his walking stick.

This was in the days when both men and women "wore" canes as an indispensable part of their outfit.

There were canes with purses, glove-holders, hand-warmers (incorporating a little brazier filled with burning charcoal), toilet kits (everything from smelling salts to a tube of moustache wax), and canes with games, even musical instruments.

Particularly practical were a tailor's ebony measuring cane with eight studded sides for taking four different measures, the French chalk stored inside the ivory handle, and a shoemaker's size-stick with two little fold-away sliding arms to grip the foot.

There were canes that could be broken down and reassembled as seats (a John Thackeray filed the first patent in England in 1813); there were canes that doubled as fishing rods (a Canadian version contained electric batteries for heating the ferrule to melt a hole in the ice wide enough to put in the rod); and canes fitted with reel supports, butterfly nets and hunting knives.

And, of course, canes that doubled as weapons, from bludgeons to swordsticks and firearms. Lord Byron carried a sword-cane on his travels to Switzerland, mainly to draw the eyes away from his disability. Describing his arrival, Mary Shelley referred to "the English Milord trailing his swordstick (when) he swaggered into the hotel with the swinging gait that least betrayed his lameness."

The first definitive reference work (and likely to be the only one, it is so detailed) is Catherine Dike's *Cane Curiosa*—From Gun to Gadgets. First published in French, a version in English has just been produced. (£45 in Great Britain, from Cane Curiosa, 11 Connaught Place, London, W2).

American-born Catherine Dike, an avid collector, now living in Switzerland, has catalogued and illustrated nearly 2,000 canes in this impressive, monumental work that no enthusiast can afford to be without. It records a basic walking stick or a sophisticated gadget. One extraordinary cane featured has three spring-loaded hooks in the tip; it was made by a thief to match women's handbags.

The author warns against fake canes that often have a



Cane Curiosa... a watch in a walking stick

long brass tube container set into a shorter shaft: "This is easier than carving out a cavity. A cane must feel good to the hand, with no ridge or difference between the handle, the band (or ring), and the shaft." The cane must also be well-balanced.

Quality is important, too. An ivory handle should never have a nickel-plated band; a precious wood should have a silver or gold band, and a fine horn ferrule.

There is a thriving international group of cane collectors and Michael German, 38b, Kensington Church Street, London, W8, has customers from Europe, the U.S. and Scandinavia. One buys anything in whalebone, another concentrates on one of a kind. "He is on to snails and slugs now, which is somewhat difficult," admits German.

He advises beginners to start with something simple such as "everyday" or country canes between £30 and £60, perhaps less, and work up to more elaborate sticks with ivory or silver tops at £150 to £350. Sticks with "system" cases—that is, compartments for food and drinking utensils, smoking accessories, pens and pencils and so on—often can be bought for £80 to £100.

Fishing rods and sticks with horses' heads are in a similar bracket, but "watch" sticks and those with magnifying, quizzing or opera glasses, telescopes and so on, are less common and nearer £500.

A rare signed Fabergé stick with a telescope pencil and jewelled handle could be anything up to £2,000 or more, and is the sort of elaborate item more likely to turn up at auction.

Cambridge, where
comparisons count

I WENT to lunch in the City recently, a risky thing to do at this time of year for an admissions tutor of a Cambridge college.

No sooner had we settled at the table when the subject turned to admissions. Was it true that we were biased against the public schools? What was this new system that we had introduced, and of course, how hard was it to get in these days? There is one aspect of getting into Cambridge which readers of this newspaper will readily understand. Admissions operate exactly like any specialist market in the City without jobbers. The sellers and buyers are too numerous to have oversight of the whole market until dealings close at the end of January each year, and the buyers, the colleges, have no control over the number of candidates who put their first nor over the subjects such candidates elect to read.

A few trends are obvious. Newham and New Hall no longer have a choice among all female candidates because men's colleges compete for good female candidates and Girton has itself become co-educational. It is clearly, therefore, easier to get into the women's colleges than it would have been 10 years ago. Other than that, colleges can face very large fluctuations in number and direction of candidates within an overall pool of applicants which has not changed at all.

My college, Trinity Hall, has had lengthy debates in its governing body—we are a very democratic college—on admissions policy. Many other Cambridge colleges have had them too.

Our position is apparently simple: we select the "best" candidates from among those who apply to use. "Best" is a tricky word and not easy to apply in practice. Is the best candidate one who has very fine qualifications of a narrow kind but no outside interests nor much to contribute to the life of the community?

Fortunately for the 100-plus we admit each year about 80 select themselves. It is in general true of Cambridge admissions that to him or her that hath much shall be given. I recall as not untypical the young engineer with 11 As at O level, experience with a professional football club as an

EDUCATION
JONATHAN STEINBERG

apprentice. Fluent Italian and a delightful personality.

We admit one or two candidates a year to read music but more than 30 of the non-musicians will have got Grade 5 or higher on an instrument (or in some cases two) in Associated Board examination. Such candidates earn places by their records, by their performances in public examinations, by reports from school which speak of them as "the best we have had" and by impressive interviews.

The admissions committees strains and agonises over the last 20 places. Our system is simply to compare and compare again until all members of the admissions committee feel that Miss X in natural sciences is "better" than Mr Y, the candidate in modern languages.

Public schools and direct grant schools now fee-paying, account for 48.7 per cent of successful candidates admitted to Cambridge in 1983, the last year for which full figures have been published. These schools account for a far higher share of admissions than their numbers would indicate on a basis of strict proportionality.

Are these candidates "better" than those from comprehensive schools? In the case of the 60 who select themselves, we pay little or no attention to school or any other issue, such as a family connection with the college.

The issue becomes more acute with the last candidates. How does one say if the ability of a plumber's son from a Cheshire Vith Form college is greater than that of a broker's son from a major public school? My own view is that we are not here to right the wrongs of society but that some allowance must be made for the disadvantages of the one and the advantages of the other.

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Too many options for Arsenal?

IN LAST Saturday's Arsenal programme, manager Don Howe wrote: "What I'd like is a utility player who can do a good job in a number of positions. That gives you a lot more options as a manager."

Although easy to understand his wish for a high-class utility player, like Paul Maddeley used to be for Leeds United, is an enormous asset—it really is the specialists who make a side outstanding. It is those footballers who possess a special talent like scoring goals, or creating opportunities from nothing, or crossing with precision, or providing the middle of the backline with stability, who are vital.

Arsenal, of course, already has been knocked out of the Milk Cup by second-division Oxford, and the F.A. Cup by third-division York. And watching the Gunners last Saturday as they struggled to beat a limited, though fit and enthusiastic, Coventry, I gained the impression that Howe, unlike most managers, might already have rather too many options.

At Highbury, he has one of the biggest high-quality squads in the country, certainly, one of the most expensive. But with more than half the season gone, he does not appear to have made up his mind about either his strongest side, or his most effective combination.

SOCCER
TREVOR BAILEY

After the York disaster, he dropped Woodcock and Nicholas, who each fall into the £500,000-plus category, for the League match against the Midlands. This was an intriguing decision because both depend so much on the supply provided by their colleagues.

Woodcock, especially, spends much of his time running off the ball. If it fails to arrive or, worse, arrives at the wrong moment, it is not only disheartening but makes him ineffective.

For the first half the Gunners used what might be described as a fluid 4-4-2, with Meade and Mariner up front; a mobile, rather obvious midfield quartet in which Allison operated on the left flank while Robson, restored to the right-hand side, looked far better than the newly-acquired Williams, who has yet to settle down; and a back four inclined to panic under pressure.

They won the match after Nicholas had been brought on as a substitute and, playing just behind the two lead forwards, introduced some new ideas and individual skill to the team. In style, Nicholas is not dissimilar to a young Dalglish



Charlie Nicholas

but he has never been as effective as expected at Highbury. Could this be because he has lacked one strong centre-forward off whom to feed? For although playing behind two front-runners can work, it often leads to bunching.

Arsenal is near the top of the table and, therefore, theoretically still in contention for the League championship; but nothing in its win over Coventry suggested that this would be anything more than an unfulfilled dream.

FINANCIAL TIMES

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Saturday February 9 1985

Familiar but un reassuring

THE PAST week has been comforting in only one sense: the unpleasant and worrying things which happened — or were said — were part of such a familiar pattern that they were almost reassuring. The dollar soared to yet another peak on its trade-weighted index, disturbing European governments still hoping to breathe life into their economies by cutting interest rates, but hardly surprising. A week in which the dollar does not hit a new high against some currency is becoming almost an oddity. The same might be said of a week in which European central bankers fail to lament the reluctance of the U.S. to support concerted intervention in the increasingly erratic foreign exchange markets. This week, it was the turn of West German officials to complain about the U.S. attitude — at the management symposium in Davos.

It is also becoming increasingly likely that in any given week somewhere in the world, at some lunch or forum, a senior banker or finance minister will denounce the growing momentum of protectionism. This week, therefore, it was unsurprising and only faintly reassuring to hear Mr. Jacques de Larosiere, managing director of the International Monetary Fund, take up the theme. Mr. de Larosiere was quite right to argue that, unless the tide of protectionism can be halted, the fabric of the global economic system will be imperilled. But the frequency with which this subject is now tackled served to underline how far the international economic order has moved from the free trade which fuelled worldwide growth in the 1950s and 1960s.

Statistics

In the UK, the week has been enlivened only by the news that things which might have happened did not. The fact that bank base rates might retreat from their pinnacle of 14 per cent were dashed as the Treasury sought to convince the markets that this time it really was determined to control the money supply. And faint expectations that the seemingly interminable 11-month miners' strike might reach a clean conclusion were similarly dashed by the extraordinary self-confidence of Mr. Arthur Scargill.

However, if there was one place this week where events were comforting only because of their familiarity, it was Capitol Hill. European finance ministers cannot help but be disappointed, even if they are not surprised, by President Ronald Reagan's refusal, once again, to contemplate any serious measures to reduce either the U.S. budget or ex-

ternal deficit. The U.S. is already — if the rather unreliable trade and capital account statistics are to be believed — a net debtor to its trading partners. And the rate at which the current account deficit is widening means that within a couple of years the U.S. could be the world's biggest debtor.

It would be wrong to exaggerate the dangers inherent in the ever-widening U.S. budget and trade deficits: the budget deficit is still manageable as a fraction of GDP and the U.S.'s foreign debt is not as alarming as it sounds because it is denominated in dollars. The U.S. can always meet its liabilities by resorting to the printing presses, even if this would spark off another bout of worldwide inflation. Nonetheless, from the point of view of the international community, the U.S. economy is in a state of chronic imbalance. In the light of this, the sight this week of assembled congressmen giving President Reagan a hero's reception and basking in his warm rhetoric about a "second American revolution" was not comforting.

Deficits

It is possible that President Reagan's new Keynesianism — his belief that the economy will grow out of deficit — will yet be validated. However, the more cautious international financial community is likely to be more impressed by the worries expressed by Mr. Rudolph Penner, the director of the Congressional Budget Office. Mr. Penner warns that in the event of a U.S. recession later this decade — which, given the regularity of business cycles must be highly probable — the budget deficit could rise to \$400bn. The implications for interest rates need no spelling out. In fact, a deficit of this size would probably never emerge — if the U.S. tried to double its demands for the world's savings, something which would snap first with unpleasant repercussions for the international economy.

Even Mr. Penner's prognostications are not quite as depressing as they sound. The development this week was the latest indication that the U.S. Federal Reserve's cherished independence may be under threat. With the prospect of huge budget deficits for years to come, it is not surprising that the White House is seeking firmer control of the nation's printing presses. Yet any attempt by the Administration to deflect the Fed from its stern anti-inflation stance is almost bound to prove disastrous. If confidence in U.S. monetary policy were to evaporate, as it did under President Jimmy Carter, any hope that the dollar might achieve a soft landing from its present vertiginous height would disappear.

THERE IS so much Scotch whisky maturing in Scotland today that if the industry stopped all production in its distilleries tomorrow, it would take more than a year to bring the surplus of supplies into line with forecasts for world-wide demand in the next few years.

Such a development is, of course, out of the question, but the recent announcement by the Distillers Company (DCL) — the world's largest whisky producer — that it is to mothball 10 of its 34 malt distilleries dramatically illustrates the industry's problems.

"It would take a bold man to say no more distilleries will close in 1985. Each individual company has to take its own view," said Mr. David MacKinlay, chairman of the Scotch Whisky Association's Information Committee.

But there are indications, like the 1.5 per cent upturn in exports last year, that give the industry some optimism about its long-term future in a market which grows more competitive by the year. The industry has certainly woken up to the fact that it has to market its products more aggressively but it has yet to prove that it knows how. Indeed, this is the major challenge now facing the industry over the next five years.

For the past five years the industry has been burdened by a very high level of stocks. These are laid down to mature over a five to six-year production cycle. Warehouses now piled high with enough maturing whisky to last around eight years, bear witness to the fact that errors — often unavoidable — in forecasting demand in five years time cannot be rectified overnight.

For in 1978, with world-wide sales at a peak and a buoyant domestic market, the industry laid down stocks in anticipation

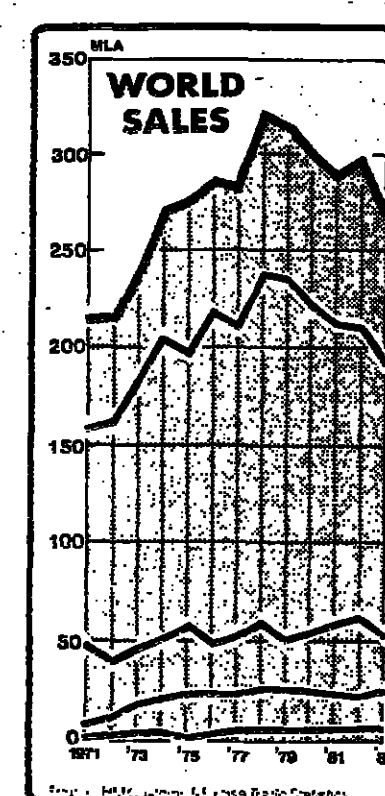
The burden of a very high level of stocks

of annual growth in consumption of up to 8 per cent.

Then the recession hit. World-wide consumption tumbled and is now 15 per cent below 1978 figures. Demand in the important U.S. market, accounting for 25 per cent of sales in 1983, fell by 18 per cent between 1977 and 1983.

The reasons for the decline include:

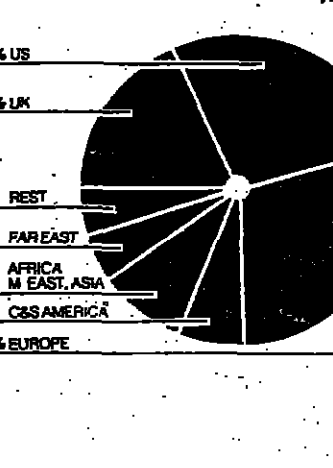
- A major shift in drinking habits in countries such as the U.S., with the health-conscious switching to "lighter" drinks like wine. Consumption of table wine in the U.S. has grown by 48 per cent in the past five years.
- Skilful marketing of rival drinks as versatile "mixer" drinks and increased female interest in cocktails.
- The imposition of import tariffs, particularly in Latin American countries where economic crises have produced a



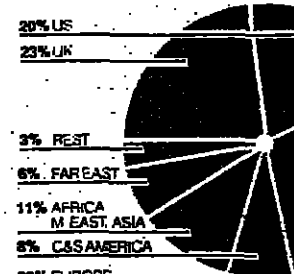
WHISKY: THE VITAL STATISTICS

1983 DISTRIBUTION

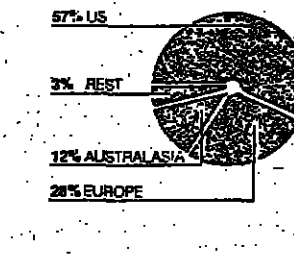
TOTAL (blended Scotch whisky)



BOTTLED 78-62



BULK 21-57



scarcity of foreign exchange. In Brazil, for example, duty per bottle of Scotch is now around \$3.53 compared with 96p on local whisky. Even within the EEC, four out of eight of the UK's partners have some form of discrimination.

● The growth in commodity, low-status local whiskies and low-strength spirits — labels such as Black Willie in France, where it is estimated 10 per cent of all whisky is French whisky.

The industry, which includes the giant DCL, several subsidiaries of UK brewing groups and a number of family-owned businesses, began slowly and painfully to cull its production in the early 1980s.

Some 16 distilleries closed between 1980 and 1984. Short-term production was introduced into the rest and some 1,300 jobs, out of a total of 25,500, were lost. While the majority were in bottling plants, the impact of the closures was magnified by the fact that many were in isolated Highland communities with little alternative employment.

Company profits fell, with DCL, for example, claiming to drop \$30m in last sales in the financial year to March 1984 because of the situation in South America. One company, Tomatin Distillers, the largest independent distiller of malt whisky, went into liquidation at Christmas.

Over-capacity encouraged some producers, notably Canadian-owned distillers such as Hiram Walker and Seagram, to step up the shipping of bulk malts to overseas markets as an ingredient of locally-produced whiskies. Some critics argue that in the longer term this is tantamount to cutting the industry's own throat. But the industry will not be drawn. "At least it gets rid of a surplus," says a senior member

of the Scotch Whisky Association.

The announcement this year of the mothballing of DCL's 10 malt distilleries has persuaded City analysts that supply is now moving more in line with demand. For such is the size of DCL, accounting for about 35 per cent of the world Scotch whisky market, that it has a major impact upon the whole industry.

It is a confidence shared by Mr. John Connell, chairman of DCL. "We have gone as far as it is necessary in order to reduce the level of current pro-

duction required to bring stocks down to levels commensurate with sales forecasts," he said.

He rejected suggestions that it has taken his group a long time to reach such an equilibrium. "Closing distilleries is not something we do lightly," he said. "Neither can we look at the market with any great certainty over a long time span despite the fact that we revise three to four months."

Mr. Connell's group was party to a recent Nedo working party report on whisky which made several recommendations for future action. "It is difficult to pinpoint one recommendation as more important than another," said Mr. Connell. "Tax

harmonisation in the EEC, a reduction of tariff barriers and definition of a minimum alcohol strength are all important," he added. "But if I was asked the question on Desert Island Discs I'd say marketing is the crucial area."

Marketing is certainly the new buzz word in the industry. Not that companies such as DCL lack strong identities for their brands — Johnnie Walker is probably the second-best known drink brand in the world after Coca-Cola.

"The problem is that we have not given the post-war drinker

In different markets, advertising of Glenfiddich attaches itself to very different lifestyles and aspirations. In Japan, the green and gold livery brand is depicted alongside a distinguished Japanese artist. In France the bottle rests upon a romantic Scots landscape with the copy "Glenfiddich: Le boire est un art."

"If whisky is going to adapt itself to new markets it has got to be more than just a commodity," says Mr. Bridle, one of a new breed of marketing men in an industry where the jargon of the late 20th-century often rests uneasy among the elders.

In a very different way, DCL is at pains to re-establish the prestige of drinking Scotch with its new international advertising campaign for Johnnie Walker. There are no kits or sporrans here. Rather, glamorous, relaxed young people in "aspirational social occasions" such as ski-slopes and alongside the pool, sip Scotch with unobtrusively placed bottles of soft drinks, such as Coca-Cola, hinting that the drink can be mixed.

The recession has forced the trade to think of other ways of presenting the drinking of Scotch," said Tony Osofoff, marketing director of Johnnie Walker whose Red Label brand accounts for 20 per cent of all bottled in Scotland whisky exports.

The image of the middle-aged "hard drinker" still lingers on and there is a reluctance among fiercely independent companies to launch full-blown generic campaigns that could, for example, inform the female drinker that a standard tot of whisky has less calories than a 11-degree volume glass of white wine. Industry-financed campaigns, organised by the Scotch Whisky Association in Japan and the U.S. have lacked the punch of those organised by the French Cognac industry.

Improved marketing is of particular importance in the U.S. at the moment where a combination of imminent new federal taxes on spirits and the anti-drink lobby could adversely affect any recovery. Control over marketing there, however, has been strengthened by companies such as Arthur Bell and Son, DCL and Highland Distilleries acquiring their own importing companies.

For many other drinks, companies market share has been bolstered by innovation. But there is no Scotch whisky equivalent of Bailey's Irish Cream, developed by Grand Metropolitan although DCL rather awkwardly admits it has a new team working in the area.

There are whisky-based mixed drinks but they have come in the main from non-whisky companies such as James Burroughs. Building on the expertise of its Beefeater Double Gin and tonic, it has just launched a whisky and ginger ale and whisky and lemonade mixed drink with the picnic, sporting and cinema consumer in mind.

"The message is beginning to get through in the industry that the image of Scotch has got to be brighter," said Mr. Alan Gray, of Glasgow-based stockbrokers, Campbell Neil. "But it is happening very slowly."

He points out that in Britain, where whisky still accounts for just under 50 per cent of the ailing spirits market, the total Scotch industry spent on advertising was around \$3m last year, and a disproportionate amount of this was on single malts. In comparison, the brandy, liqueurs and bitters markets, taking some 15 per cent of the market, spent the same amount, according to MEAL, the consumer and media expenditure monitoring group.

"The next few years," said Mr. Gray, "are critical. It is not good enough to think that as the

No equivalent yet to Bailey's Irish Cream

recession ends, markets will bounce back and, with the removal of surplus capacity, profit margins will improve. It will be a long haul. But it must play on its age potential and perhaps combine the traditional strengths of the product with modern marketing techniques."

A crucial step in achieving change is the recognition that it is needed. Mr. Donald MacKinlay, of the Scotch Whisky Association, a rather dry Scot said: "Perhaps the industry has been too traditional. Too many people sit there and do not understand the product."

He is carefully cautious about the future. "We will not quickly increase exports. It will be a long slow build back. It is unlikely that all those distilleries that have closed will open again. I would not like to be a guess when somebody will build a new distillery."

Possible pension changes

From Mr. L. Braden
Sir—Clive Wolman (February 2) effectively argues that any pensions-tax changes the Chancellor may announce in the Budget are likely to be retrospective (in part, or least) would not be worth the effort and/or it would take up to 70 years for the measures to fully "bite," and/or the pension funds' actuaries would find it almost impossible to work out all the right figures. Because of this, he reasons, it could even turn out to be disadvantageous to start a new pension-plan or "top-up" an existing one before the Budget. I disagree.

There are several ways whereby the Chancellor could follow the precedent of last year's Budget, and announce pension-tax changes that would only concern plans started from then onwards, while leaving all existing schemes virtually unaffected by his proposals. Here are some possibilities:

Announce that, after tax year 1985-86 onwards, there would no longer be the privilege of carrying-forward unused relief for up to six years. Perhaps one year only may be chosen—if, say, an investor's income, for 1985-86 was not quite high enough to "cover" his premium contributions, any unused relief from 1984-85 [only] could be "reckoned-in."

Reintroduce an overall upper limit for contributions. Perhaps £5,250 a year would be chosen. An investor could still claim tax relief for contributions up to 17½ per cent total income, but if "total income" exceeded £30,000, the maximum allowance of £5,250 would take effect.

Change the rules which regulate what percentage of a "retirement fund" can be taken out in the form of a tax-free lump sum. Existing policies would not be affected at all, individuals starting "post-

advised, at the start, what their eventual "options" would be. Abolish tax relief for premiums paid under Section 226A contracts. Tax relief for premiums into pension funds (which will eventually be returned to investors as taxable pensions) must, of course, be preserved. But "226A contracts," effectively pure insurance contracts (providing term assurance, etc.) do not lead to taxable income in anyone's language. There is no logical reason why such premiums should benefit from tax relief, since all other such policies lost their tax relief last year.

The Chancellor could make any, or all, of the foregoing changes without upsetting existing pension-plan-contributors, or the pension industry. Lionel W. Braden, 20 Fret Lane, Chigwell, Essex.

Doubly taxed

From Mr. H. Turrell-Clarke
Sir—Your leader on the taxation of pensions (February 3) promotes the idea of a tax on lump sums at retirement and on pension funds' investment returns. This displays a substantial misapprehension of the schemes and taxing of pension schemes.

The financial inputs to a scheme are the contributions paid by the members and the company and investment income and capital gains arising from investments. The financial outputs are pensions to members and beneficiaries and lump sums on death and retirement. At the moment only one element (pensions) is subject to tax. This is one of the financial outputs. It may therefore be "logical," though not necessarily desirable, to tax other financial outputs (lump sums).

On the other hand, the taxing of one part of the input (investment returns) in addition to the outputs would be

Letters to the Editor

create an anomaly between the tax treatments of the two forms of input.

There would also be an anomaly with alternative forms of saving such as life assurance, where the inputs are from taxed income and partially taxed investment returns but all outputs (i.e., policy proceeds) are tax free. In other words tax is only levied once.

These are precisely the forms of anomaly that the Chancellor should be seeking to avoid. Hugh Turrell-Clarke, Towers, Perrin, Forster and Crosby, 110, Jermyn Street, SW1

Penalties of motherhood

From Mrs. K. Clifton

Sir—Lombard's article (January 31) on the "penalties of Motherhood" (why not "parenthood") and in particular its last paragraph deserves a wider audience than it is likely to get. On the same day my baby number was of course a fact of life and I should be content with my £3,000 a year from part-time earnings even though my baby minder will get a third of that.

Having worked as an executive secretary for most of my 19 years of married life this would distort your executive life style statistics by last Saturday's FT I have certainly noted the trend to a choice of being made between

creasingly, motherhood is the option that is not being chosen. The lack of investment in preschool age child care or tax reliefs for such care will lead to an ageing population, with all the problems that will entail.

(Mrs) K. Clifton, Despatch, Oakham Road North, W. Horsley, Surrey.

Business expansion scheme

From the Client Investment Director, Midland and Northern
Sir—I am writing to you having read the article "BES funds hope for a warmer response" on February 2.

I can only speak for our scheme, the Centreway business expansion scheme, but the comment "...not approved by the Department of Trade" is factually incorrect. The majority of the funds placed with us for investment are the result of introduction and recommendation by professional advisers such as accountants and stock brokers; the approval of the Department of Trade is thus necessary in order that the detailed memorandum inviting investment in the scheme may be distributed by them. A statement to this effect is contained in the memorandum, which is necessary for unauthorised unit trust schemes but is not required for open-ended schemes.

On the subject of charges, quite correctly the article states that there is no initial charge to investors. The interpreta-

higher fees to companies may deter some attractive companies" overlooks the point that the larger part of this fee will be reflected in the subscription price paid for the shares. The efficiency of this charge structure, fortunately has not been lost on many BES investors and their advisers.

The article in question did little to explain the relative merits of the "open-ended" scheme: the tax efficient charging structure, the facility to invest nearer the tax year end with the expectation of full investment, the advantage of direct shareholdings rather than through nominees, etc. Since the label "non-approved schemes" at best lends itself to misinterpretation those readers who take an interest in the business expansion scheme would perhaps value this explanation.

David R. Emery, 1, Waterloo Street, Birmingham

Motorists in for a shock

From the Managing Director, Petrofina (UK)

Sir—In his motoring article of February 2, Stuart Marshall calls for an explanation from oil companies on the disparity between diesel fuel prices and petrol prices. I am willing to oblige and also to correct his main inaccuracies.

Diesel is not a cheaper product to manufacture because, as a transport fuel, it has to be desulphurised and adjusted to meet British Standards. In addition, in winter it needs to be mixed with kerosene to avoid "waxing."

In recent weeks spot prices for gas oil have been \$10 per tonne more expensive than for motor spirit—for example, 4.3 per cent—thereby nullifying the slight excise advantage in this country.

As for the comparison with France, the 21 miles of sea simply means different excise bases. The French Ministry of

to itself, discriminates against petrol as a transport fuel. In fact, figures show that the return on Derv is higher in France than in the UK.

The above should indicate that nobody is being "ripped off." The fact that refining distribution companies are still a long way from recovering their costs on a yproduct sold.

While on this subject, it is worth pointing out a few facts in relation to Derv and diesel engine private cars. The growth of these cars in the European market has been prompted solely by the fact that Derv is taxed lower than petrol. In a society as conscious of its environment as ours, it is ironic that Governments appear to promote, by their fiscal policies, the proliferation of two avoidable forms of pollution: unburnt hydrocarbons and soot.

In contrast, California (for instance) where smog—in Los Angeles in particular—has become almost endemic, recently passed a law which requires the severe limitation of particulate emissions from diesel engines by January 1, 1986. This will necessitate either the fitting of filters known as "soot incinerators" or electrostatic filters with soot recirculation and refining capabilities.

Both solutions will prove more expensive than the provision of three-way catalysts for petrol engines and, incidentally, increase fuel consumption by up to 20 per cent.

It used to be said tongue in cheek that, in terms of mass technology, Europe was years behind the U.S. In this instance, it is surely safe to assume that our legislators will not be quite so tardy in following their Californian counterparts.

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Amro Bank	14 %	Knowsley & Co. Ltd.	14 %
Armedo Trust Ltd.	14 %	Lloyds Bank	14 %
Associates Cap. Corp.	14 %	Edward Manson & Co.	15 %
Banco de Bilbao	14 %	Meghraj & Sons Ltd.	14 %
Bank Napoli	14 %	Midland Bank	14 %
BCCI	14 %	Morgan Grenfell	14 %
Bank of Ireland	14 %	Mount Credit Corp. Ltd.	14 %
Bank of Cyprus	14 %	National Bk. of Kuwait	14 %
Bank of India	14 %	National Girobank	14 %
Bank of Scotland	14 %	National Westminster	14 %
Banque Belge Ltd.	14 %	Northern Bank Ltd.	14 %
Barclays Bank	14 %	Nyghen Gen. Trust	14 %
Beneficial Trust Ltd.	15 %	People's Tst. & Sv. Ltd.	15 %
Brit. Bank of Mid. East	14 %	Provincial Trust Ltd.	15 %
Brown Shipley	14 %	R. Raphael & Sons	14 %
CL Bank Nederland	14 %	P. S. Refson	14 %
Canada Permanent Trust	14 %	Roxburgh Guarantee	14 %
Cayzer Ltd.	14 %	Royal Bank of Scotland	14 %
Cedar Holdings	14 %	Royal Trust Co. Canada	14 %
Charterhouse Japhet	14 %	Henry Schroder Wagg	14 %
Choulatons	14 %	Standard Chartered	14 %
Citibank NA	14 %	Trade Dev. Bank	14 %
Citibank Savings	12 %	TCB	14 %
Clydesdale Bank	14 %	Trustee Savings Bank	14 %
C. E. Coates & Co. Ltd.	14 %	United Bank of Kuwait	14 %
Comm. Bk. N. East	14 %	United Mizrahi Bank	14 %
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Cyprus Poylitz Bk.	14 %	Williams & Glyn's	14 %
Dunbar & Co. Ltd.	14 %	Witnurst Secs. Ltd.	14 %
Duncan Lawrie	14 %	Yorkshire Bank	14 %
E. T. Trust	14 %		
Exeter Trust Ltd.	14 %		
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	14 %		
Robert Fleming & Co.	14 %		
Robert Fraser & Ptns.	14 %		
Grindlays Bank	14 %		
Guinness Bank	14 %		
Hamilton Bank	14 %		
Harbottle & Co. Ltd.	14 %		
Herlihy & Co. Ltd.	14 %		
W.F. Shaw	14 %		

SIR MICHAEL ON THE OFFENSIVE

Two knights joust for Dunlop

By John Makinson

YESTERDAY MORNING at 10 o'clock, the shareholders of Dunlop were able for the first time to inspect perhaps their company's most valuable asset, acquired after lengthy negotiations and for a controversial sum only three months ago. Sir Michael Edwards, Dunlop's chairman and the man in the question, believes there is plenty of value in the group's more tangible assets. Yet it must have been painfully clear to almost everyone at yesterday's shareholders' meeting that, but for Sir Michael and his reputation, Dunlop's defence against the hostile takeover mounted by BTR would already lie in ruins.

There is, after all, precious little else in the Dunlop arsenal. The company's record over the past decade has been nothing short of disastrous and its net assets amount, give or take a few million, to zero. In a group which has been as conspicuously overmanned as Dunlop, the management can scarcely advance conventional arguments about the protection of employees, while any appeal to the loyalty of Dunlop shareholders would be received at best with grim irony.

By contrast, BTR, the industrial holding company, led by Sir Owen Green, can point to a remarkable history of earnings and dividend growth, a proven ability to turn flagging companies into healthy profit and a City reputation for management excellence which knows few, if any, equals. On paper, at least, it looks no contest.

That, however, is not how Sir Michael sees it. He positively relishes playing David to Sir Owen's Goliath and has already secured several palpable hits. Yesterday he managed to neutralise BTR's holding of Dunlop preference shares, which had threatened to block the capital reconstruction on which an independent Dunlop depends and to give himself more breathing space by adjoining the company's extraordinary general meeting.

Sir Michael's case is straightforward: if shareholders accept the BTR offer, they will end up with 1 per cent of a huge industrial conglomerate, by staying with the existing management

they stand to benefit fully from the anticipated recovery in earnings.

"Our shareholders," he says, "have been incredibly loyal during the bad times and we would like them to have 100 per cent of the recovery potential that we see in front of us. BTR, definitely needs Dunlop, but I don't think Dunlop shareholders want 1 per cent of the resultant company or two or three."

Whether Sir Michael succeeds in putting that message across will depend on how the City institutions, and Dunlop's army of small shareholders, perceive his qualities as a manager. In terms of style, at least, the contrast with Sir Owen could scarcely be greater. Who, who, a publication in which the low-profile Sir Owen does not figure, lists a string of public and corporate accomplishments. Sir Michael, by contrast, at one time or another, been chairman of B.L. Chloride, Mercury Communications and ICL.

His period at B.L. brought both public recognition and the admiration of other industrial managers. Sir Michael's determined stand on industrial relations gave his counterparts in other companies greater confidence in their handling of trade unions. In a recent survey of business managers, he emerged as one of the most admired industrialists in the country.

"Poll of City institutions would produce a rather different result. No one doubts Sir Michael's fighting spirit or his flair for marketing and public relations but, in the view of some of Dunlop's biggest shareholders, his reputation is not fully matched by his commercial achievements. The institutions remember him for leaving Chloride to join B.L. shortly before the battery-maker plunged into loss."

Whether Sir Michael can be held directly responsible for Chloride's problems is a moot point—the battery market is, after all, almost as depressed as the tyre market which virtually destroyed Dunlop. Some critics argue that he has changed jobs too often in the past four years and he has recently been involved in a controversy over the share option scheme which

Sir Michael and the two men who followed him from B.L. to Dunlop were awarded a part of the reconstruction scheme.

This is one subject which touches a raw nerve in Dunlop's chairman: "I don't think it was a mistake to put our share options in at all; if 53 banks, whom I believe can look after themselves, come to me and make a proposition which I think is generous, the last thing I am going to do is turn them down. And tell me one man in the country who would have said 'please, that's far too generous—keep it for your own dividends and shareholders'. We gave them up, not because of moral outrage or anything like that, but because we realised they had been used against us privately behind our backs and because we wanted to give our shareholders a clear field."

Sir Owen Green, by contrast, is deliberately unapologetic. He has worked with BTR since joining as an accountant in 1958 and, while he mixes easily in the City, he prefers to stay out of the limelight.

But the institutions have no reason to complain about the low profile; indeed their admiration for Sir Owen and his financial controls knows few bounds. And in this particular deal, Sir Owen and his colleagues hold an extra trump card. They are familiar with the rubber industry which—along with carbon fibre—forms the core of Dunlop's activities.

Asked what he can offer Dunlop which BTR cannot, Sir Michael is careful not to criticise Sir Owen and his team. "A lot of what we said to our employees and to the institutions in the first week was what Owen Green has said. Our broad approach is likely to be similar to BTR's. The difference is that Dunlop would be part of a very large conglomerate, which has just digested BTR."

And that team has already gone to work implementing changes which Sir Owen could only applaud. Central management has moved out of the old head office into premises at least as Spartan as BTR's. Authority has been delegated to seven product groups, each with its own chief executive.



Sir Michael Edwards: several palpable hits

"The previous management," Sir Michael says, "centralised things on Dunlop House; we changed that drastically within a week of coming in."

Having established a structure for Dunlop, Sir Michael says his immediate task is "to see where best to get costs down and margins up."

Not surprisingly, Sir Michael is confident that a recapitalised Dunlop, short of the ruinous European tyre-making operations, has a profitable future. While none too specific about his plans, he clearly envisages further diversifications. It would be surprising, for example, if Dunlop held on to its U.S. tyre interests, for long under Sir Michael's stewardship. At the end of the day, he believes Dunlop will be making decent returns on a sales base of £1bn or less. The company, he says, has "damaged good brand names and a lot of technology. What it has lacked is confidence and credibility."

Sir Michael believes he can supply both; so does Sir Owen. The tragedy for Dunlop shareholders is that if they had been able to choose either of them five years ago they would be a lot better off today.

BARELY A year has passed since everyone was nuts about Acorn. The high-flying company which makes the BBC Micro epitomised a new generation of youthful, innovative, high-technology companies that were springing up in the Cambridge area.

In five years the company had grown from nothing to one with sales of £93m. And the company had already begun to nurture other fledgling enterprises like IQ(Bio) and Torch which had been formed by some of the brightest young men to come from Cambridge University.

For Acorn's co-founders, Chris Curry and Herman Hauser—themselves both from Cambridge and still youthful—glittering prizes were fame and a leading place in the list of Britain's wealthiest men, along with their former employer and friend Sir Clive Sinclair. As Acorn's share price on the USM soared to 193p Hauser was worth £105m and Curry £33m on paper anyway.

The two dreamed of running a major electronics company, but for now, at least, the dream has been shattered. On Wednesday afternoon the company suspended dealings in its shares at 28p having at one stage seen them reach 23p. Late that afternoon a terse company announcement said that on the previous Friday it had replaced its financial advisers Lazard and that Cazenove had resigned as stockbrokers. The only other comment was that the company was "actively taking steps" to reorganise its affairs.

The crisis follows the recent appointment of Dr Alex Reid, a former British Telecom executive, as acting chief executive. The day-to-day running of Acorn has largely been the responsibility of Mr Curry who also has several outside interests ranging from politics (he stood as a Conservative candidate) to the fostering of new high-tech businesses in Cambridge.

The university city can fairly claim to be following in the footsteps of such high-technology "greenhouses" as those strung along Route 128 round Boston in Massachusetts.

Acorn's problems are the most serious to have hit Cambridge and the USM (Acorn is the largest company in this market) and the speed with which its share price has fallen has shocked many small investors. "There is a need for a more commercial management. I find a great deal of commercial realism there now that was lacking before."

Meanwhile Acorn faces a host of pressing problems. These include the prospect of a sharp fall in the UK home computer market and the expensive task of trying to break into the highly competitive and oversupplied business computer market. The company's meteoric growth was founded on its BBC Micro launched four years ago linked to several television series and the Micro dominates Britain's education market. The

Home computers



Chris Curry (left) and Herman Hauser.

Nightmare week for Acorn

By Jason Crisp

always had enough concern for its dealers and distributors—or for the City.

The tall, Austrian-born Hauser's main interest has been in the technical, research and development side of the company. The day-to-day running of Acorn has largely been the responsibility of Mr Curry who also has several outside interests ranging from politics (he stood as a Conservative candidate) to the fostering of new high-tech businesses in Cambridge.

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analysts to that of Applied Computer Techniques, the fast-growing company in the much tougher market for business personal computers. Mr Bob Gilkes, chief executive of Cambridge Venture Management, who has had close contacts in the past with Acorn says: "It is the same problem which faces many high technology companies. The people who start them have little effective management experience but tend to think they know a lot because the company has taken off vertically."

The latest problems seem likely to result in important changes within the company although few believe it can ever repeat its past meteoric growth. Mr Henry Kroch, chief executive of AB Electronics, one of Acorn's leading subcontractors, who has been in close touch with the company, said yesterday: "There is a need for a more commercial management. I find a great deal of commercial realism there now that was lacking before."

Many people in the Cambridge area bought shares in Acorn which is the largest employer in the area after Philips, CEI, Marshalls and Cambridge Instruments. But even as the price of the shares fell, the company's close-knit high technology fraternity is shaken. "It is possible that the multiplier effect Acorn had on the way up could be reversed on the way down. We're certainly in for a period of instability," says Mr Peter Harris at Torch Computers.

Weekend Brief

Dodging nuts in Disneyland

HENRY DISNEY deals in small things. To be precise, in the genitalia of the parasites of ants. The locals on the island of Sulawesi in Indonesia have never seen anything like it. Henry will lie, observing his insects for so long that the Macaque monkeys have taken to throwing nuts at him. But such slights are familiar to participants in the "world's largest entomological expedition" ever, which is now getting under way in a remote section of the tropical rain forest in north Sulawesi.

Grown men and women in World War II shorts run about with giant butterfly nets. A man with an eyeglass peers intently into a pool. Not only the locals are baffled—the whole thing is a bit of a shock to several members of the expedition, who last saw action in the Falklands and now find themselves providing logistical support and back-up to the expedition. Corporal Al Maddison said

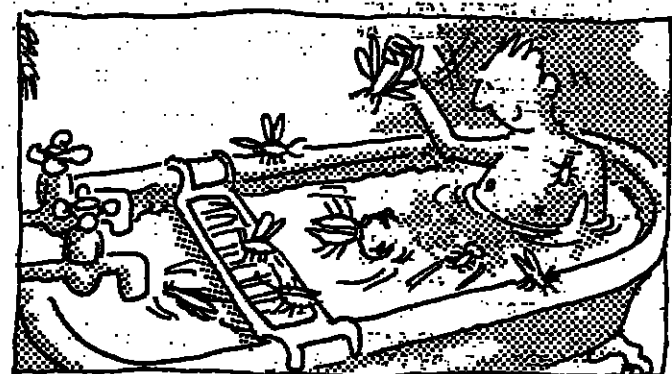
he first thought everyone was mad. "They told me not to eat the insects biting me, but I checked with someone first."

A dung beetle expert from Helsinki encourages the forces of excretion in the jungle but asks them to point out the place on a map. He then times the arrival of his beetles and brings them back for sorting usually just before lunch because "they are at their most active in the mornings."

The expedition, organised by the Royal Entomological Society and named Project Wallace, honours Alfred Russel Wallace, who sailed the waters of the Indonesian archipelago back in the 1850s. For years rather underrated as a scientist and explorer, Wallace now is seen as one of the originators, along with Darwin, of modern evolutionary ideas.

Members of the expedition are facing many of the difficulties that Wallace must have met. Owing to a lack of funds and a series of bureaucratic mix-ups, the first group arrived to find that its base camp building was still only a patch of parched earth. As a result, the Le-Gol, the professors, the two Gurkhas, chaps from the British Museum, and several thousand lethal-looking insects collected already, are sharing one long hut.

The equipment, including more than £250,000 worth on loan from the Ministry of



Defence, was delayed by more than a month. When it finally did arrive—in three Argentine land containers from the Falklands—the Indonesian Customs were rather overwhelmed.

Hundreds of boxes of "compo rations" had somehow been listed as electrical equipment. A helpful man based at Supplis had put in a few gross of white combos overalls usually used on Nato exercises in northern Norway and one box, packed expertly, contained nothing but old newspapers ("for my butterflies, you know").

But despite the difficulties, there's an awful lot of phlegm about... and rather a lot of sex, as well. It seems the insect world scarcely thinks of anything else. Dr Blackith and his wife, Ruth, from Trinity College, Dublin, describe much

of their work as micro-pornography. "This grasshopper, for instance, has a copulation speed of only two and a half seconds," they say.

The Blackiths put in eight-hour days in the jungle, despite being over 60. Revell is at sun-up and the nearby river is the wash place for everyone. "Pass the soap, please," and "I do believe, you're on my rock" echo along the jungle's edge.

Even here, there are insects to look at. An entomologist demonstrates how the aquatic cockroach always swims up stream. It promptly scuttles off, downstream.

Florrie, a stockily-built aircraft repair specialist who volunteered to be cook after the man from the Catering Corps failed to arrive, dishes out

breakfast from a big wok, the only piece of kitchen equipment available.

Every evening, the entomologists give lectures, one, Peter Hammond, describes a piece of plastic tubing used to suck up any interesting insect that comes within range. He explains also that though the indirect use of his "noter" he managed to catch a disease previously known only in trees.

At night, the rat traps are put out. The entomologists can't get enough rat meat for bait, which is hauled to putrefy in the jungle for days. Some mornings there are arguments as the scientists grapple for choice pieces.

The expedition hopes to find thousands, if not millions, of new species which could result in a wholesale expansion at the British Museum. It also hopes to carry out important medical and forestry research and produce the first detailed maps of the area.

Back in the 1850s, Wallace described what he found in Sulawesi: "Situated in the very midst of an archipelago and easily accessible on every side by islands teeming with varied forms of life, its production have yet a surprising amount of individuality, which never seems to have acted elsewhere in exactly the same way." The locals, if no one else, would agree.

BUILDING SOCIETY RATES

	Share Price	Sub'n Shares	Rate	Other
Abbey National	7.50	8.75	Seven-day account	
		9.25	Higher interest acc. 90 days' notice or charge	
		6.25-8.75	Cheque-Save	
Ald to Thrift	8.60	—	Easy withdrawal, no penalty	
Alliance	7.50	8.50	7 days' notice, limited, wdl. if balance £2,500 + int. pd. 1/2 yrly. mthly. inc. opt. if bal. £1,000 +	
		9.25	Bank Save. Bal. of £2,500. Current account	
Anglia	7.50	8.50	3-year bond. No notice. 3 months' penalty	
		9.25	Capital share. No notice. 1 month's penalty	
		8.75	7 days' notice. No interest penalty	
Barclays	7.50	9.25	9.50 2-year termshare—3 months' notice	
		9.15	Special invest. share/monthly income share	
Birmingham and Bridgwater	7.25	8.45	9.50 90 d's. 90 d's. not. or pen. / £10,000 + no not. no pen.	
		8.80	5 d's. not. or 20 d's. pen. on amt. wdrn. imm'y	
Bradford and Bingley	7.50	8.50	9.00 Premium access. On demand, no pen. £1,000 +	
		9.25	High income. 3 months' notice or 90 days' pen.	
Britannia	7.50	8.50	8.90 7 days' notice. 9.15 28 days' notice	
Catholic	7.00	8.00	8.50 Extra share/monthly income. 30 days' notice	
Century (Edinburgh)	8.55	—	9.00 Permanent 2/3 years or variable	
Chelsea	7.50	8.50	9.75 Immediate withdrawal. int. pen. or 3 months' notice	
Cheltenham and Gloucester	—	8.50	Gold. No not. No pen. Under £1,000. 7.50; Over, 9.00; £5,000 + 9.35 when monthly int. added	
Citizens Registry	7.75	9.00	9.15 7 days. 9.25 1 month. 9.50 3 months	
City of London (The)	7.75	9.00	9.20 21 days' not. inc. access for amts. over £10,000	
Coventry	7.50	8.75	9.75 2-year bond-£1,000 +, close 90 days' notice and penalty, monthly inc. opt. guaranteed 2.25 diff. Money-maker inst. acc. no pen. 9.45 £20,000 +, 9.20 £5,000 +, 8.85 £1,000 + monthly inc. opt.	
Derbyshire	7.50	8.75	9.50 2 y. 3 m. not. with pen. 8.75 no nt./pn. m. inc.	
Gateway	7.50	8.50	9.00 Gold star £1,000—no pen. 9.25 monthly income	
		9.50	90 days' not. £5,000 + 9.25 if added to account	
Greenwich	7.50	—	9.50 90-day a/c (7-day a/c 8.75-9.25 subject to bal.)	
Guardian	7.75	—	9.55 6 months. 9.80 3 months. £1,000 minimum	
Halfax	7.50	8.50	8.75 7-day Xtra. 7 days' notice, no penalty	
		9.00	28-day Xtra. 28 days' notice, no penalty	
		9.25	90-day Xtra. 90 days' notice, no penalty	
Heart of England	7.50	8.75	9.25 90-day notice. 8.75 7-day notice	
Home Hemstead	7.50	9.00	10.00 90 days. 9.50 60 days. 9.25 25 days	
Leamington	5.00	—	8.75 7-d. a/c min. £500. 9.25 3 mths. a/c min. £1,000	
Lambeth	7.85	8.75	9.20 7-d. a/c. 9.80 Magnus a/c 6 wks. + loss of int.	
Leamington Spa	7.60	—	9.10 Spa mthly. income, no not. no pen. £5,000 min.	
		9.25	Lion sh. 1 m. not. or 28 days' pen. £1,000 min.	
		9.55	Supershare, no not. 14 days' pen. £2,000 min.	
Leeds and Holbeck	7.50	9.25	9.00 Monthly interest. 9.25 25 days' notice or pen. neither if £10,000 still in account	
Leeds Permanent	7.50	8.50	8.75 Liquid gold. No not. no pen. (8.00 on bal. of £2,500+) BRAS 10th issue 9.25 3 months' not.	
Leicester	7.50	8.50	8.75 £500 + im. wdl. no pn. 9.73 comp. 3-y. £2,000 +	
London Permanent	8.00	—	9.50 60 d. not. or term wdl. no pen. if bal. £7,500 +	
Midshire	7.50	9.00	9.50 3-year term 2.00 diff. guar. 3 mths' not. or pen.	
Mornington	8.30	7.50	8.50 28 d's. not. 8.85 100 d's. not. 14 d's. pen. £2,000 +	
National Counties	17.50	8.50	9.80 90 days' notice, no penalty. + £1,000 +	
National and Provincial	7.50	8.50	9.50 RYS (share + 2.00 guaranteed 3 years)	
		9.25	90 days' notice/pen. unless bal. stays 10,000 +	
		9.00	25 days' not. 8.75 7 days' not./penalty as above	
		9.25	Capital bonds. 3 yrs. 90 days' notice/penalty	
		9.50	Bonus-90. 90 days' notice/penalty	
		9.00	Super bonus. 28 days' notice/penalty	
		8.75	Bonus 7.7 days' notice/penalty	
Newcastle	7.50	8.75	9.25 90 days' notice. 9.00 28 days' notice	
		8.50	7 days' notice. On demand with penalty	
		9.75	3-year term access with penalty	
Northern Rock	7.50	8.75	9.50 Money-spinner plus £20,000 or more	
		9.25	Money-spinner plus £5,000 or more	
		9.00	Money-spinner plus £1,000 or more	
Norwich	7.50	8.75	9.05 7-day share monthly income option	
Peckham	8.25	—	8.25-9.75 imm. wdl. if over £2,000. Monthly income	
Peterborough	7.50	8.50	8.50 Flexi-plus 60 days' notice monthly income	
Portman	7.50	8.25	9.10 Flexi-plus. Minimum £500. No notice imm. wdl.	
		9.50	Prem. Min. £500. 2 months' notice. No penalty	
Portsmouth	7.65	9.15	9.80 3 years. 9.80 90 days. 9.35 30 days. 9.05 7 days	
Property Owners	9.00	9.50	9.80 3 mths. 9.50 6 mths. 9.35 28 days. 9.25 im.	
Scarborough	7.50	8.75	9.50 27-day notice. 1.75 guaranteed differential	
Skipton	7.50	8.75	9.70 Sovereign £10,000 +. 9.35 £500-£9,999. Monthly	
Stroud	7.50	8.75	9.30 inc. 9.35 min. inv. £2,500. Inst. access no pen. 3 m. 9.05 1 m. 9.05 £10,000 +, no pen. no not.	
Sussex County	7.50	9.00	9.30 7 days. 9.10 Sussex. High. 9.40 90 days	
Sussex Mutual	7.75	9.00	9.15 Over £5,000. imm. wdl. Under £5,000 7 d. not.	
Thrift	7.60	—	8.60 3-year term. Other accounts available	
Town and Country	7.50	8.50	9.50 90 d. not. or pen. No not./pen. if bal. £10,000 +	
		9.00	7 d. not. or pen. No not./pen. if bal. £10,000 +	
		—	No not. no penalties—minimum invest. £1	
		8.75	7-day account. 7 days' notice	
		9.00	Monthly income shares. 28 days' notice	
		9.25	90-day account. 90 days' notice/penalty	
Wessex	9.35	—	9.25 Diamond key. 28 days' notice or 60 days' pen.	
Woolwich	7.50	—	—	
Yorkshire	7.50	8.50	9.25 Diamond key. 28 days' notice or 60 days' pen.	

All these rates are after basic rate tax liability has been settled on behalf of the investor.

Opera rises from the ruins

The fabled Dresden opera house where Wagner's *Flying Dutchman* and *Tannhauser* had premiered, along with Strauss's *Rosenkavalier*, has been resurrected from the gutted ruins left after the city was obliterated by two waves of American and British bombers on the night of February 13-14, 1945. It will be re-dedicated on February 13, Dresden's annual day of mourning.

The Opera House has been rebuilt at a cost of £M 250m (£80m) by the Government of East Germany, which spares no cost when it comes to the performing arts. Only last year it unveiled the reconstructed Royal Theatre, in East Berlin, which was turned into a concert hall rivaling the Vienna Philharmonic's for intimacy.

The sumptuous five-tiered interior of the original, Dresden, Opera House, built in 1870, has been recreated in glittering white, red and soft green, along with every detail of the late Italian Renaissance facade. Only the technical portions of the building are 20th century.

Dresden's Opera House will re-open with Carl Maria von Weber's patriotic *Der Freischuetz*, that favourite of German audiences which had its

premiere in the old house and was the last work to be presented before it closed in 1944, two years after Karl Boehm's departure for Vienna. Boehm served as general music director in Dresden for nine of what he called his "artistically most fruitful years."

Rosenkavalier will be the second opera in the rebuilt house on February 14 in a new production by one of East Germany's most brilliant opera Regisseurs, Joachim Herz. It had its premiere in Dresden in 1911 under Ernst von Schuch, the Austrian-born conductor, who led the house as its Intendant for 42 years and was largely responsible for its pre-eminence long before World War I. Richard Strauss idolised Schuch and said that, without him, he would never have his works premiered in Dresden.

Schuch was succeeded by Fritz Busch who in 1933 after 11 years at the helm, snapped the house in protest against the lies issued by the Nazis of "undesirable" composers and singers. He left his beloved Dresden to go into exile.

The ruined Opera House, built by Gottfried Semper in 1870, had superb acoustics, and it remains to be seen whether the lies issued by the Nazis of "undesirable" composers and singers. He left his beloved Dresden to go into exile.

of the new house as it was in the old.

The first opera staged after the end of World War II was in a church on the periphery of the city only three months after the capitulation. In 1946 one of the first large buildings to be erected on the site of old Dresden—now a field of ruins—was a new combined opera house and theatre. Bethoven's *Fidelio*, under Joseph Keilberth, was the first performance, followed by a glittering *Rosenkavalier* amid the wasteland.

The Dresden Opera House today, according to its Intendant, Professor Gerd Schoenfelder, is a people's opera house "without artistic elitism and not isolated from the realities of life. What that means is there are no prima donnas in the ensemble and that guest performances by top Western singers will be rare because of the problem of payment in scarce hard currency."

Herr Schoenfelder noted, however, that Dresden is eagerly awaiting a new Meistersinger production by Wolfgang Wagner.

The re-dedication of the Opera House is marking the memorial ceremony marking the 40th anniversary

UK COMPANY NEWS

Another management upheaval at Sumrie

By Gordon Cramb

Sumrie Clothing, the loss-making Leeds menswear group, has entered its second top management upheaval in six months with the resignation of Mr Patrick Benson as chief executive.

Mr Benson said yesterday he had also resigned as a director of Le Chevalerie, a Moroccan investment company which owns just over 20 per cent of Sumrie. He said this followed disagreements about the future of Sumrie with Mr Michael Hepker, its chairman, who is also associated with Le Chevalerie.

Mr Benson's resignation from Sumrie took effect from January 31, but the company has yet made no announcement. Laurie Milbank, Sumrie's brokers, said it was a "moot point" whether Stock Exchange regulations would require this as Benson, despite having been in day-to-day charge of the company, was not on its board.

Shares in Sumrie fell 7p yesterday to 56p, valuing it at £13.8m. Last year they reached a peak of 190p.

The entire directorate of Sumrie changed last August following the departure of Mr Ronald Sumrie, its former chairman. The present three-member board comprises Mr Hepker, a barrister; Mr Mervyn Shungin, another Le Chevalerie nominee; and Mr Lance Blackstone, who represents Mr Harvey Ross, a Leeds property trader who has been progressively reducing his Sumrie holding and currently owns 8.7 per cent.

None of the board could be reached for comment yesterday. In November Sumrie reported an increased pre-tax loss of £173,000 for the first half, against £94,000, on turnover up from £14.4m to £15.1m. At the same time it announced that its planned acquisition of Spatebrook, a leisure wear distributor, would not go ahead. Mr Dennis Weathers, the production director, resigned after just three months on the board.

Mr Benson said yesterday the acquisition attempt had been "very difficult" and he had been "very disappointed". "I felt by last month that I had reached an impasse," he said.

Sumrie has three plants in Leeds and Doncaster, employing about 270 people. It markets casual clothes under the King's Road, Choice and Spatebrook brands, with a capitalisation of about £20m.

Stockbroker Capel-Cure Myers is bringing the company to the Unlisted Securities Market at the end of this month.

Pepe, which is based in north-west London, imports jeans and other casualwear largely made in the Far East, and distributes them to a wide range of retail outlets.

Ocean Transport

ACC Gases is one of Shell UK Oil's largest packed LPG distributors, supplying a network of dealers and Shell customers in an area of south-east England similar to Cery's existing Shell UK Oil distributorship.

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Recovery puts 39p on TSL shares

BY STEFAN WAGSTYL

TSL Thermal Syndicate, maker of vitreous silica, the raw material for electric bar fires and for silicon chips, yesterday surprised the City with a recovery from losses of £1.6m to pre-tax profits of £1.6m.

The results for the year to the end of October put 39p on the shares to 155p, increasing the company's market value by one third to nearly £15m.

The recovery follows two years of increasing losses which culminated in management changes, redundancies and a rights issue to raise cash for new production equipment.

Mr Bent Henriksen, who became managing director in 1983, said the recovery had been achieved by putting a great emphasis on sales and marketing and bringing research and development work closer to the demands of production.

Group profits were achieved on sales up 35 per cent to £16.5m, with demand growing "across the board" from customers in a wide range of industries, including electronics, fibre optics, metal refining, mining and chemicals. The weakness of the pound helped the company against its international competitors—General Electric of

the U.S., Toshiba of Japan, and Saint Gobain of France.

The company's plants in Wallsend, Newcastle-on-Tyne, in the U.S. and in West Germany are all profitable. A new plant started in Japan in September, in a joint venture with Mitsubishi Metal Corporation, is said to be operating on target.

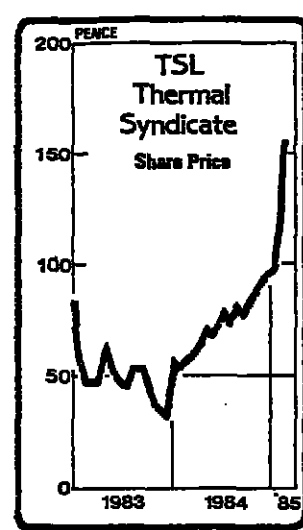
Mr William Wilkinson, chairman, said: "I look forward to 1984-85 with confidence. I am sure that we are building on a firm foundation and that the problems of the past have been overcome."

TSL, which was founded before the First World War, made its previous record profit of £1.3m in 1978. But profits tumbled, partly because of recession, and partly because of high expenditure on research and development and on a loss-making refractory welding subsidiary in the U.S.

Mr Henriksen said the company had not lost its commitment to research, but research had been more closely linked to production, with particular attention to improving quality control. The company has plans for further investment in new production plant.

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comment

Rarely can the City have so underestimated the speed of recovery at a troubled company. But things have come right so quickly at TSL that despite yesterday's 33 per cent leap, they almost certainly have further to go before they catch up with events at the company.

Sales are growing apace in the current year, production is being expanded and TSL is benefitting from the continuing fall in the pound. Moreover, the Japanese plant might be expected to be making smaller losses, moving towards breakeven in the second half of the year. Overall, £2.5m pre-tax looks within reach, which is a 30 per cent change (there are tax losses to use up).

Multiple of just over eight. Admittedly, the great bulk of sales is still made to customers in traditional industries, with less than 10 per cent in optical fibres and silicon chips. But even in mature sectors the prospects for building market share look very good given the drive of Mr Henriksen. It is not surprising that shareholders who took up the rights issue at just 50p a share.

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KIO shows a 17.9% holding in Stylo

By Alexander Nicoll

The Kuwait Investment Office (KIO), which invests passively in many companies on behalf of the Kuwait Government, emerged yesterday as the surprise holder of a 17.9 per cent stake in the equity of Stylo, the shoe retailer.

The KIO holding gives it a 10 per cent voting stake in Stylo, which is controlled by the Ziff family who this week fought off an unusual tender offer from British Land, the property company headed by Mr John Rithlat.

The Kuwaitis are understood to have held shares in Stylo before the tender was launched, but it was unclear yesterday whether the stake had been increased before or after the tender lapsed on Tuesday.

It was thought in the City that the KIO probably bought shares after the tender was launched and then tendered them for either cash or, more likely, for British Land shares. But because not enough shares were tendered to British Land, the offer did not go unconditional and the KIO would consequently have been left with the Stylo shares.

It could also have added to its holding when Stylo's share price fell after the tender lapsed. Yesterday, Stylo shares fell 8p to 170p, compared with the 185p maximum cash price of the tender offer.

British Land's tender sought between 8m and 9.02m Stylo shares, and would have given it—including 1.6m shares which it already held and still holds—up to 50.9 per cent of Stylo's equity and 29.9 per cent of voting power. But only 6.7m shares were tendered.

The Ziff's control Stylo mainly through management shares with 16 times the voting weight of ordinary shares. The tender was thwarted by Town Centre Securities, a Leeds property company headed by Mr Arnold Ziff, who is also chairman of Stylo. TCS bought 2.14m shares in the last days of the tender offer, increasing its equity holding to 19.5 per cent.

Mr R. P. McMurtrie, the company's chairman, said in a letter to shareholders that the group's strategy in 1985 was to concentrate attention on its remaining businesses to secure a return to profitability.

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UK COMPANIES

MINING NEWS

Fourth quarter loss puts Amax \$238m in the red at year-end

BY KENNETH MARSTON, MINING EDITOR

LOSSES of \$238m were incurred by Amax, the American diversified natural resources group, in the fourth quarter of 1984. The loss wiped out the \$211m (€15.9m) earned in the previous nine months, and resulted in losses of \$238m or \$3.88 per share for the year as a whole. Losses in 1983 totalled \$489m.

The bulk of the latest loss is reflected in end-year write-downs of \$206m, up from \$195m in the fourth quarter of 1983. The write-downs reflect the company's investment in the agricultural chemicals business, and \$11m in the secondary copper facilities. There was also a loss in the fourth quarter on the sale of an interest in the Beaufort Sea oil and gas properties.

Amax continued to generate operating profits at pre-tax level in the fourth quarter although they declined further to \$8m from \$46m in the third quarter. \$87m in the second quarter and \$73m in the first three months

Ok Tedi faces \$800m bill for development

THE infrastructure developments which the Papua New Guinea Government is demanding as a condition of allowing the \$1.6bn Ok Tedi gold and copper mine to remain open, would cost a total of \$800m, according to Mr. Richard Carter, general manager of the mine's division of Australia's Broken Hill Proprietary.

Talks between the PNG Government and its private sector partners over the future of the mine are continuing, but they remain inconclusive, Mr. Carter added.

The Government has ordered Ok Tedi to close by the end of this month unless the partners produce an acceptable revised timetable for the proposed second stage of the development. This involves the construction of a permanent system

RESULTS DUE NEXT WEEK

Investors hoping that Imperial Group will take the opportunity of its preliminary results, state, next Friday, to announce the sale of Howard Johnson are likely to be disappointed. Imperial has said that it will not be rushed into any decision about the future of the U.S. restaurant and hotel chain. Meanwhile, the group's revenue solid performance from its core UK businesses: tobacco has probably recovered from a dull first half as sales slipped far less than expected in the wake of a duty increase in last year's Budget. In brewing, property disposal should have offset the heavy cost of refurbishing many pubs and hotels; in food the benefits continue to flow from the integration of Ross and recently acquired Young's Seafoods. Imperial should make \$220m pre-tax overall (€195.2m). However, that the dividend might be raised dramatically in the hope of deterring potential predators are almost certainly unfounded. The final payout should be about 7.5p net (5.0p), making 8.75p for the year (7.8p).

The biggest single influence on Monday's interim results from the diverse Delagety group will come from the far side of the globe. The sale of the company's New Zealand interests will take more than £1m off the pre-tax profits for the six months to the end of December. Difficult market conditions will also have held back Canada's lumber and mauling and animal feed in the UK. But a strong performance

INTERNATIONAL COMPANIES and FINANCE

BankAmerica revises loss provisions sharply upward

BY WILLIAM HALL IN NEW YORK

BANKAMERICA, the second biggest U.S. banking group, has been forced to revise its fourth-quarter net income sharply downwards because losses on certain mortgage-backed securities are much higher than at first thought.

The San Francisco-based banking major is struggling to reverse a four-year earnings decline caused by an above-average level of non-performing loans.

It is adding another \$58m to an earlier \$37m provision against mortgage pools with faulty

it served as escrow agent and trustee.

Fourth-quarter net income has been revised downwards from \$73m to \$44m, leaving the quarterly dividend uncovered. Full-year net income is down 12 per cent to a restated \$346m.

Mr. Leopold Prussia, BankAmerica's chairman, said the group had decided to increase its reserve because of "new information."

BankAmerica acted as escrow agent and trustee for pools of mortgage loans, which were packaged by an unrelated company

as collateral for mortgage-backed certificates sold to institutional investors. The packages later proved to be faulty. BankAmerica says that the securities covered mortgages on almost 1,000 properties.

The bank offered to exchange cash and mortgages from the bank's portfolio for the investors' interests in the mortgage pools. The bank says that its \$95m provision "represents the difference between the \$133m cost to the corporation of purchasing the investors' interests and the estimated value of the underlying mortgages."

Merger of four gold mines sought

By Jim Jones in Johannesburg

A MERGER of the four Orange Free State gold mines managed by Anglo American Corporation will optimise exploitation of remaining ore reserves, maximise utilisation of capital assets, create a stronger financial base and extend the lives of the mines, Mr. Peter Gush, the chairman of Anglo American, said yesterday in Johannesburg.

Terms of the merger, which is intended to combine Free State Gold, President Brand, President Steyn and Western Holdings, will only be determined, Mr. Gush said, when permission for the amalgamation has been received from South Africa's Department of Mineral and Energy Affairs. The authorities have been asked to agree to the enlarged mining operation operating under a unified tax and lease formula rather than different formulae for each individual property.

Considerable synergistic benefits will be derived from the merger, Mr. Gush says, while the combined property will immediately have about 350m tons of ore in reserves containing about 2,500 tons of gold. At an annual milling rate of 20m tons, annual gold production is expected to average approximately 113 tons.

Additional ore reserves are expected to be developed to the east of Free State Gold, to the south of President Brand and Steyn and to the north of Western Holdings. The North-West division, this, however, will depend on full exploitation of the combined relatively rich basal reef reserves which will allow full exploitation at marginal cost of other, lower grade gold. At present Basal Reef supplies 70 per cent of mill feed and the other reefs 29 per cent.

Anglo executives are to visit Toronto next week to explain the merger's expected benefits to U.S. and Canadian shareholders.

Icahn amends terms of Phillips Petroleum offer

BY OUR NEW YORK STAFF

MR CARL ICAHN, the Wall Street financier, said yesterday that he is dropping his plans for a \$55 a share tender offer for 51 per cent of Phillips Petroleum and instead was planning to begin a \$57 a share tender offer for 25 per cent of the company, which will cost \$2.2bn.

Mr Icahn made his move a day after Phillips had rejected his earlier proposal, sweetened its own recapitalisation plan and said it would only agree to being taken over if a friendly outsider was to offer \$62 a share cash to all Phillips shareholders. Wall Street analysts said yesterday

that probably only Exxon, the world's biggest oil company, could afford Phillips at that sort of price.

Phillips shares rose \$1 to \$50 1/2 in heavy trading early yesterday as analysts speculated whether Phillips' heavy defences would be sufficient to ward off a persistent corporate raider, like Mr Icahn.

Mr T. Boone Pickens, whose earlier interest in the company precipitated its controversial recapitalisation plan, has been promised \$53 a share cash for his stake, but Mr Icahn has said that he will not be "greenmailled" in his pursuit of Phillips.

Major Deutsche Bank offshoot has steady year

BY JOHN DAVIES IN FRANKFURT

THE LUXEMBOURG subsidiary of Deutsche Bank, West Germany's largest bank, kept up its earnings last year despite pressure on interest rate margins in the Euro markets.

However, Deutsche Bank Compagnie Financière Luxembourg has again adopted a cautious policy of putting its results into the context of the 1984 calendar year reached about DM 310m, and after taking into account other income tax valuation factors, results were put at a little over DM 300m.

Previous results covered 15 months to the end of 1983 as the subsidiary prepared to change its reporting to a calendar year basis.

Dr Robert Schret, a member of the Deutsche Bank board, said that the Luxembourg subsidiary managed to keep its overall earnings situation stable last year, with operating results actually exceeding the previous

results on a comparable, 12-month basis.

He said the bank had taken steps early to raise funds under optimum conditions. The strengthening U.S. dollar had also increased the D-mark value of its dollar income.

Business volume of the Luxembourg subsidiary rose 16 per cent to DM 52bn, with much of the increase due to the rising value of the dollar.

The volume of credit was also up 16 per cent to DM 26.6bn, largely reflecting the stronger facilities in the UK and Germany, has indicated its desire to invest significant amounts of funds in the hydraulics division, based at Verberie, which has turnover of around FF 420m.

Poclair to pull out of hydraulic components

By David Marsh in Paris

POCLAIR, France's loss-making hydraulic excavators group, is negotiating to sell its hydraulic components division to Vickers of the U.S., a unit of the Libbey-Owens-Ford group.

The decision, part of a continuing effort to concentrate activities on the construction machinery market, was announced yesterday by Poclair, with preliminary indications of the 1984 results.

The company said its second-half deficit fell significantly from the net losses of FF 184m (\$18.6m) in the first half of 1984.

With the company still facing an extremely difficult period, sales volume for the group last year was around the same as in 1983, when turnover was FF 2.9bn. Poclair already lost FF 198m in 1983 and FF 283m in 1982.

Poclair, which is owned 44 per cent by Case-Teneco of the U.S. following a series of rescue packages over the last few years, also announced that Mr Pierre Battaille, the son of the company's founder in 1927, is leaving his post as head of the supervisory board.

A group headed by M. Battaille, who chaired the executive board between 1967 and 1983, made an alternative offer to take over the hydraulics division.

As a result, he deemed it "appropriate" to submit his resignation from the supervisory board and all other Poclair posts at the same time, a communiqué from Poclair said.

The offer from Vickers, the world leader in hydraulic components, was judged by the supervisory board to be better for the long-term interest of the group. Vickers, which already has production facilities in the UK and Germany, has indicated its desire to invest significant amounts of funds in the hydraulics division, based at Verberie, which has turnover of around FF 420m.

Central bank bid to save Sul Brasileiro

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL'S central bank has intervened in the activities of Sul Brasileiro, a major financial group with total deposits estimated at U.S.\$2.3bn. The move is believed to be the largest corporate rescue ever mounted in Brazil.

Sul Brasileiro, the country's third largest private-owned financial group, has 359 bank branches concentrated mainly in the south and south-east of Brazil, and an estimated 1.5m account holders.

Yesterday morning the Government temporarily took over the administration of five financial institutions in the group, including Banco Sul Brasileiro, medium-sized commercial bank and flagship of the group. In addition, it has ordered the winding up of two housing finance subsidiaries.

The rescue operation followed the failure of attempts to find a "market solution" for the problems of a group in disrepair since the end of 1982.

Sr Affonso Celso Pastore, the central bank governor, said the decision to intervene had been taken following Sul Brasileiro's failure to honour a Cr 100bn (U.S.\$25m) debt to agricultural co-operatives in Rio Grande do Sul state.

Hours of negotiations earlier this week with the country's leading banks failed to produce a private rescue package. The talks reportedly broke down on the refusal of Sr Amador Aguiar, president of the supervisory council of Bradesco, the largest privately-owned financial group in Brazil, to participate.

At least two proposals to purchase the troubled group, including one from Citibank, through its Crefasul investment bank subsidiary in Brazil, were presented to the central bank. But these were apparently rejected as inadequate.

The size of the group's uncovered liabilities is put unofficially at Cr 800bn.

Sul Brasileiro had foreign debts totalling U.S.\$146m at the end of June 1984. These will almost certainly be taken over by the Federal Government.

Sul Brasileiro's commercial and investment banks had been suffering increasingly serious liquidity problems in recent months. The root of its problems date back to the losses suffered with the failure of the Coroa-Brasileira financial group in 1983 and the bad debts of a large agricultural co-operative.

Majority control of the Rio Grande do Sul-based group is in the hands of Montepio da Família Militar, a military family pension fund.

Better export conditions boost Haggie's results

BY OUR JOHANNESBURG CORRESPONDENT

HAGGIE, the South African engineering and mining equipment company, benefited strongly from continued capital spending by the mining industry and improved export conditions in 1984. Turnover increased by 43 per cent to R462m (\$234m) from R325m while pre-tax profit rose 29 per cent to R63.1m (\$34.1m) from R48.3m (\$25.1m).

The directors say that strong exports, which were helped by the rand's persistent weakness against the dollar, and sustained demand from the mining sector helped cushion the effect of significant sales declines in non-mining domestic markets.

Haggie sold its 49.9 per cent interest in Chloride South Africa, the troubled battery and electrical products manufacturer, in October last year and acquired control of Macdon and R. Jackson, the steel and engineering firms, at mid-year.

Mr Richard Savage, the managing director, believes that 1985 will be a difficult year largely because sales to the agricultural sector will continue to be affected by drought and high interest rates.

Earnings per share increased to 180 cents from 143 cents and the total dividend has been raised to 73.5 cents from 70 cents.

Centrafarm gains otc shares quote in U.S.

By William Dawkins

CENTRAFARM GROUP, a leading Dutch maker of generic pharmaceuticals, has achieved a quotation on the U.S. over-the-counter market.

The company has sold 1m new shares at \$6.75 each through underwriters L. F. Rothschild, Unterberg, Towbin to raise \$6.75m after expenses. It plans to use \$3.5m of the proceeds to expand its operations in the Netherlands, where it intends to launch four new generic drugs this year. The balance will be used for working capital and to expand into the West German market.

Centrafarm is capitalised at more than \$30m at the placing price. The group's net income in the nine months to 31 September was \$1.1m on sales of \$14.2m.

Following the offering, Alta Berkeley, a venture capital group, holds 20.8 per cent of the equity, with another 38.9 per cent held by Dr. M. Warburg, Pincus and Co, a venture capital investor and management buyout specialist.

Lion Match earnings hit by increased tax rate

BY OUR JOHANNESBURG CORRESPONDENT

LION MATCH, the 64 per cent-owned South African subsidiary of Wilkinson Sword, suffered from a net increase and severe competition in the financial year ended November 30.

Though turnover rose by 14.3 per cent to R35.2m (\$19.5m) from R33.3m, operating profit before interest and tax increased by only 12.1 per cent to R12.0m from R10.7m.

Taxed profit dropped to R6.7m from R7.2m as a result of an increased effective tax rate and rising interest.

Competition was minimal in the match market, in which Lion was a virtual monopoly. However, competition intensified in the consumer durables and household goods markets.

An unchanged total dividend of 41 cents a share has been declared, though earnings per share slipped to 78.4 cents from 81.5 cents.

Adolph Saurer in profit

BY JOHN WICKS IN ZURICH

ADOLPH SAURER, the Swiss engineering concern, has returned to profit for 1984 following a 30 per cent rise in turnover to SwFr 566.5m (\$201.8m).

The company, which has carried out a major reorganisation programme, has reported losses for the last five years.

The improvement in business last year is attributed to increased sales of textile machinery and a large-scale Swiss Army order for road vehicles. Prospects for 1985 are seen as "favourable".

Nissan Motor has bought its Swiss car distributor, Nissan Suisse, from the local owners. Nissan sold 10,550 cars in Switzerland in 1984, 3.9 per cent of the Swiss market.

ANZ takes control of merchant bank

MELBOURNE — Australia and New Zealand Banking Group (ANZ) announced yesterday that it has agreed to acquire the interests in an Australian merchant bank held by Bank of Montreal, Irving Trust and Mitsubishi Bank for an undisclosed sum.

ANZ said the agreement means it will have 100 per cent control of Australian International Finance Corporation (AIFC) as soon as the necessary formalities are complete.

It described AIFC as a leading local merchant bank that provides a wide range of services, including those involving the money market and foreign exchange as well as overseas financing and advisory services.

AIFC, which has assets of A\$601.8m (U.S.\$473m) and had a profit of A\$3.3m for the year ended June 30, is currently 40 per cent owned by ANZ, with the Bank of Montreal, Irving Trust and Mitsubishi Bank each holding 20 per cent.

Philip Morris (Australia) has reported a net operating profit of A\$14m for the six months ended December 31, up 5 per cent from A\$13.5m.

The cigarette and wine producing company said pre-tax earnings fell to \$4.7 cents from 58.8 cents due to expanded capital from a one-for-eight scrip issue made in October. The interim dividend was unchanged at 17.5 cents a share.

Sales rose 11 per cent to A\$294.3m from A\$266.1m. It said overall cigarette industry sales were down slightly.

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Over-the-Counter Market				
High	Low	Company	Price	Change
144	122	Asa, Brit. Ind. Ord.	142	-
151	135	Asa, Brit. Ind. CULS	150	-
54	42	Airgroup Group	53	-
42	26	Amnig & Rhodes	37	-
140	108	Bendon, Hill	140	-
53	32	Bray Technologies	52	-
201	170	CCl Ordinary	170	-
110	110	CCl Type Conv. Pref.	110	-
816	100	Caradigm, Ord.	816	-
86	84	Caradigm 7.5pc Pf.	86	-
103	43	Cindelo Group	43	-
72	51	Deborah Services	72	-
261	182	Frank Hensell	261	-
243	170	Frank Hensell Pr. Ord.	243	-
32	25	Frederick Parker	32	-
52	32	George Blair	52	-
50	27	Imperial Precision	28	-
218	198	Iris Group	198	-
124	104	Jackson Group	104	-
285	213	James Burroughs	276	-
93	83	James Burroughs Sp. Pf.	93	-
87	71	John Howard & Co.	87	-
165	100	Lingaphone Ord.	165	-
100	83	Lingaphone 10 Sp. Pf.	95	-
604	300	Minihouse Holding NV	604	-
120	31	Robert Jenkins	36	-
50	28	Servants (A)	51	-
56	51	Torday & Carlisle	79	-
444	370	Trevian Holdings	370	-
27	17	Unilever Holdings	26	-
38	21	Walter Asten	38	-
242	224	W. S. Venables	224	-

Prices and details of services now available on Freetel, page 48146.

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Feb 5th 55.1 58.5 2.19

Feb 6th 54.4 57.8 2.21

Feb 7th 54.4 57.8 2.21

Feb 8th 54.4 57.9 2.38

H.B.L. Equity Income

Feb 4th 58.2 61.8 5.70

Feb 5th 57.6 61.2 5.75

Feb 6th 58.5 62.1 6.26

Feb 7th 58.6 62.2 6.25

Feb 8th 58.8 62.6 6.21

H.B.L. Canadian

Feb 4th 47.1 50.0 2.00

Feb 5th 47.1 50.0 2.00

Feb 6th 47.1 50.0 2.00

Feb 7th 47.1 50.0 2.00

Feb 8th 47.5 50.5 1.98

Prices of other H.B.L. Trusts on UT Information Service page

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Yen Deposit DM\$1,119 5.00

Yen Deposit ¥16,777 5.13

SwFr Deposit SwFr\$1,027 4.00

N. American US\$1.19 0.5

Pacific Basin US\$1.13 0.6

Int. Growth US\$1.01 0.6

British £1.20 2.0

Sterling Gilt £1.06 10.2

Int. High Inc. US\$0.99 12.0

Yen Con. Bond ¥1265 3.2

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Japan (Yen) 60.2 64.2 0.3 0.29

Japan (Yen) 60.3 64.3 0.3 0.29

U.K. Mkt. 48.8 52.0 0.2 1.96

France (Francs) 49.0 52.2 0.3 1.96

U.S. Spec. 69.1 73.6 0.9 0.39

U.S. Govt. 69.2 73.8 0.6 0.39

U.S. Special 298.6 299.3 1.8 2.80

U.S. Treasury 350.2 355.7 2.2 2.80

Euro (Euro) 55.7 59.4 0.4 6.92

Euro (Euro) 56.3 60.0 0.3 6.92

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1. *Chlorophyll a* and *Chlorophyll b* were determined by the method of Arar and Collins (1971).

